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THE FOREIGN COMMERCE OF JAPAN SINCE THE RESTORATION

(1868----------1900)

By

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A DISSERTATION

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Yukimasa Hattori.

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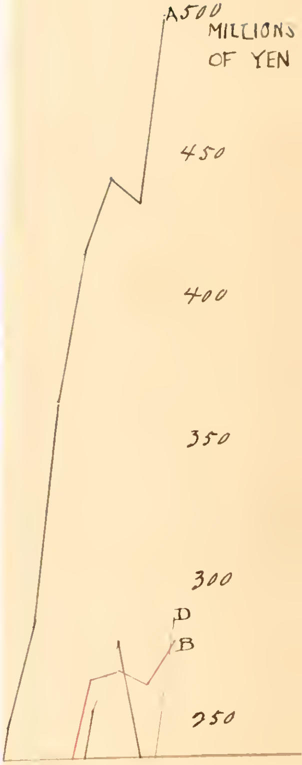

JAPAN'S FOREIGN COMMERCE SINCE THE RESTORATION.

(1868 - 19[illegible])

Chapter I.

The Volume of Japan's Foreign Commerce.

General Feature.

The world has now to deal with a new factor. Some fifty years ago, when a squadron of Commodore Perry anchored in the Bay of Uraga in 1853, Japan was but a hermit nation - none coming in and none going out - a nation which was more than five centuries behind the times (1), the country split up into 270 Dimiates or provinces, under feudal regime, and every province independent of all the others, politically as well as economically. To-day the same Japan is the

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1.

"Although we find some closer resemblances between the state of Europe and Japan in the 13th and 14th centuries than at any earlier period, we must go back still further to find some of the most striking of these coincidences or similitudes - to the early Saxon and Norman periods in England, and to the first Merovingian Era of kingly rule in France, from the 5th to the 8th centuries". Japan As It Was And Is. Quarterly Review, Vol. CXXXVIII., P. 195.

"Land of the Rising Sun", filled with a thriving population and immense resources, boldly, perhaps, but surely with a bright prospect,l looming above the political and economical horizon of the Far East. That great movement which culminated in the restoration of imperial authority in 1868, has completely broken down the bars between Japan and the world at large, and has bridged over - not by spontaneous evolution but by one convulsive effort - all the space dividing feudalism from constitutional government,and handicraft and serfdom from the commercial and industrial liberty of modern life.

These incredible changes, however, would never have been accomplished within the short span of a few decades, had it not been for our free and eager communication with Western nations. Foreign commerce was, indeed, at once an instrument and an example. As a compeller of civilization, it has furnished us the countless means of production, as also of consumption. As an example, it furnishes itself a fair barometer of national progress. In no particular, therefore, are the general economic improvements of Japan more distinctly reflected than in the growth of her foreign commerce.

The total value of our exports and imports in 1868 was 27 million yen (2);7[illegible] million in 1880; 149 million in 1890; and from that year on the aggregate increased by leaps and bounds - most notably since after the Chino-Japanese War of 1894-5 - until in 1900 it reached the enormous sum of 491 million yen.

Stated in the terms of yen this increase is, however, more apparent than real. Since 1873 the value of silver has gradually decreased - not only relative to gold, but to all commodities as well; or, in other words, the general prices have gone up about 78 per cent in 1900, so that the figures just stated must be reduced according to the index number of prices in each particular year, in order to

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2.

Prior to 1898, the value of imported goods was the actual cost at the place of purchase, so that an addition of 15 per cent is made to the import figures of each year to cover freight, insurance, and other charges, incurred up to the time of their arrival at the destination - in order to make an approximately correct estimate of the cost of imported goods to Japan. Fifteen per cent. is computed as the most approximate percentage. See "British Consular Reports", relating to the trade of Japan previous to 1898.

show the actual quantity or volume of commodities. (3) When this i done, the impression will be somewhat different.

But since our index number of prices is based mainly on the principal products of the country, it is far from accurate to appl them to the import figures indiscriminately. Perhaps it might be better to approach the subject indirectly from another avenue, viz.: by taking the tonnage of merchant marine entered at the Japanese ports from foreign countries. Then we get the following figures:

Year	Value Millions of yen	Quantity	Tonnage Thousands of Tons
1873	53	56	566
1880	70	75	691
1890	149	133	1,654
1899	434	262	3,608
Increase in percentage:			
	719	368	537

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3. See Diagram 1. The index number previous to the year 1873 is unavailable; that for the years 1873 - 1894 is quoted from the repor of the Monetary Reform Committee, and the rest have been calculated by the editors of the Tokio Economic Magazine, based on the reports of the Bank of Japan, in the same method of formulating so-called tabular or multiple standard as the Committee had done.

The Tokio Economic Magazine, Vol. XLIV.No.1

Such a wide margin of divergence, however, precludes the possibility of arriving at an accurate estimate of the development of our foreign commerce. Yet three things are certain from the above figures: First, that the money value given is by no means reliable; secondly, that the most reliable estimate must be made from the quantity and tonnage percentage; and thirdly, that our commerce took a new phase in the year 1890, or about then.

In the mean time, the population has increased from 33 millions in 1872 (the actual and careful calculation having been made in that year for the first time), to 44 millions in 1900, an increase of over 33 per cent in twenty-nine years. Hence the total amount must again be reduced according to the census of each particular year, if we are to form a practical estimate of each person's industrial activities in this part of Japan's economic life, and the changes and increase of that proportion. When this is done, the per capita value as well as quantity is, as yet, anything but gratifying. Indeed, when compared with that of other nations, the insignificance of our export trade is painfully self-evident. Perhaps the following table will furnish some rough idea:

Exports of Domestic Produce in 1897.:

	Total:	Per Capita:
Japan	80,000,000.	1.83
United Kingdom	1,170,000,000.	29.25
France	719,000,000.	13.43
Germany	890,000,000.	17.11
United States	1,032,000,000.	14.74

There are again still other data necessary, before the growing importance of our foreign commerce can accurately be estimated. We must know the total amount of our domestic trade, so as to make a comparison of the quantity and proportion of national wealth, which is employed in both branches of commerce. Unfortunately, no available facts are obtainable, owing to the comparative infancy of our statistical knowledge and practice. No official census of our national wealth has yet been inaugurated with us, as is done in other countries, by taking an account of the different forms of investment - such as agriculture, manufactures, commerce, etc., or by taking an income or other tax as a basis to arrive at the probable value of the aggregate wealth. But happily we are furnished with somewhat trustworthy estimates made by Mr. Yoshio Kusaka (4), who, after careful and elaborate calculation, has come to the conclusion that our national wealth is 15,093,000,000 yen, the items of which are as follows:

	Yen.
Lands	10,000,000,000.
Live Stock	75,000,000.
Buildings	1,919,000,000.
Furniture and Works of Art	788,000,000.
Railways, Telegraphs, Aquaeducts	90,000,000.
Shipping	98,000,000.

4. For the criticism of these figures see Commercial Japan, U. S. Monthly Reports of Commerce and Finance, Dec. 1901. P. 2302.

Mines	405,000,000.
Marine Products	272,000,000.
Capital (paid up) Companies and Banks	242,000,000.
Specie and Bullion	178,000,000.
Miscellaneous	1,028,000,000.
Total	15,093,000,000.

It will be observed that this sum is a little more than one-seventh of the accumulated wealth of the United Kingdom, and a little less than one-twelfth of that of the United States. Though the comparison of the wealth of two nations, based wholly on the matter of money, is necessarily misleading, yet it serves well its purpose to illustrate theextent of our land, the direction given to the labor and energy of the people, and the profitable investment of their capital.

In one sense the history of our foreign commerce is still in its very incipiency, but it naturally divides itself into two periods; the first including the years 1868 - 1886, and the second the years from 1887 to the present time. This division is natural for several reasons: First, because that in 1886 the resumption of specie payment was effected, and the paper notes, which had been depreciated for a considerable number of years, were at length restored to circulate at par with silver. All the incidents connected with fiat paper money had been terminated completely, and a restored confidence in the stability of the medium of exchange, commerce and industry

had begun to gain a new and vigorous life. Secondly, up to this time our foreign commerce had made little progress, owing to the disorganization and reorganization of internal affairs incident upon the wholesale introduction of Western institutions. Thirdly, and finally, from 1887 our foreign commerce had not only begun to enter a period of remarkable development which commanded world-wide attention, but had also begun to change its character and the geographical distribution.

It is difficult, however, in this comprehensive survey, to deal with such dynamic series of most complicated phenomena in any particular detail, the general statement being all that is permitted.

DEVELOPMENT.

First Period (1868 - 1888).

Fully one decade had elapsed since the reluctant opening of the Empire to the new commerce until the Imperial Authority was restored to its former glory in 1868, and when Japan at length became convinced of the superiority of Western civilization, and of the advantages of maintaining commercial relations with foreign countries. In spite of anti-foreign agitations, commercial treaties were already concluded with eleven countries during this intervening period, and the trade had grown to quite respectable proportions. Important as it is, it was only introductory, and the new page of Japan's foreign commerce may properly be said to begin with the year 1868, that date being also the most momentous landmark in the political and social history of the nation. Passing, therefore, from the previous conditions of trade, let us start from the opening of the new Era, which was ushered in at once and from all directions.

One of the most important corner-stones which lies at the foundation of the recent growth of Japan's foreign commerce, is found in the oath taken by the Emperor on April 6th, 1868, when His Majesty was congratulated on the happy restoration of Imperial Authority, surrounded by the leaders of the revolution, a part of which oath runs as follows:

"The uncivilized customs of former times shall be broken through, ... Intellect and learning shall be sought for throughout the world to establish the foundation of the Empire". (5)

Nothing will perhaps illustrate the spirit of the times better than this terse sentence, by which the long-established social and political institutions and orders were swept away, as though by an earthquake. It required no Church, no ambitious Barons or Kings, no Free or Chartered Cities, no Guilds, no villains: and the whole fabrics of nine centuries' cultivation (6) were suddenly broken to pieces, and brought under the strong hands of restored Government to be unified, or rather to be nationalized. Unpreceded as it is in human history, and incredible as it is in the rapidity with which the work of ages was accomplished, yet several years must necessaril have elapsed before the nation's material conditions were so improve as to exercise any perceptible influence upon the development of its foreign commerce. The administration was centralized, the security of life and property was established, taxation unified and reduced, and communication was to a great extent facilitated; but industriall Japan of this period was eminently feudal: that is to say, in that

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5. See Mutsuhito, Lalor's Encycl. of Political Science.

6. The seeds of the feudal system in Japan were sown in the 9th century, and took firm roots in the 12th century; nourished incessantly it bore the gorgeous flower of the Shogunate - until it was finally overthrown by a single stroke of pen in 1872.

stage of production which had prevailed in Europe before the epoch of the so-called "industrial revolution", and the ruling principle was apparently anti-commercialism.

(7) "When reference is made to the Japanese nation", says Captain Brinkly, "in connection with the radical changes of 1868, it must be observed that only the nobles and the samurai (military class) are indicated - in other words, a section of the people representing about one-sixteenth of the whole. The bulk of the people, the agricultural, the industrial, and the mercantile classes, remained outside of the sphere of politics, nor taking any serious interest in the great questions of the time". (7) The point is essential to the clear understanding of the economic situation with which Japan was confronted at the opening of the new commerce. In the course of European history the process of this transition was gradual, and there was the general leveling up from the bottom of society, when it shewed itself in the final breaking up of the old manorial system. The inventions of Hargreave, Arkwright, Watt, and Cartwright, however so great and so radical innovations they may have brought over the methods of the production as it is truly called "revolutionary" in character, yet the way was already paved by the corresponding changes of the social conditions, in law, and in politics.

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7. Japan, Encycl. Britt. New Vol.

The case with Japan is altogether different: the movement was from top to bottom instead of otherwise, and the forces which gave a spur towards progress worked not from within, but from without.

In speaking, however, of the backward state of affairs in Japan at the time of the opening of the new commerce, attention must be called to the fact that in material civilization, or at least in the line of artistic works, Japan was highly developed, and even surpassed in some particulars any of the nations of the West. The Japanese silk embroidery, laquer ware, paper, ceramic and bronze works are unrivalled, and are a wonder and envy to the Staffordshire and Parisian artists. Secluded from the rest of the world, Japan had developed independently of foreign influence. And whether large or small, in each province there had been organized a perfect means of self-supply, and the division of labor - however limited it was by by the extent of the market, had been carried to a fine point. There was, on the one hand, a complete set of machinery - if we may call it machinery at all - in a degree of perfection; while, on the other hand, there existed an industrial community in every province almost independent of all the others.

It was perhaps in this peculiar character of the industrial status of the country, so knitted together for centuries by the mutual exchange of commodities, that the opening of new scope and new channels of trade had for a time wrought nothing but industrial chaos and universal calamity throughout the entire Empire.

Suddenly brought face to face with Western civilization, there arose naturally a popular craze for everything European and American, not only on account of their novelty, but from their practical use both in those commodities which are merely articles of luxury, and in those which are the necessaries of life - such as matches, lamps, hats, shoes, umbrellas, etc. "It is in this respect", says Count Okuma,(8) "as if a new class of consumers, with widely different tastes, had suddenly been called into existence among the old class of manufacturers, asking for things which the manufacturers knew nothing of, and which therefore they could not supply. A vast number of occupations which had hitherto been thriving had suddenly to be abandoned, and skilled laborers and artisans were thrown out of employment in thousands. Moreover, all kinds of monopolies and business privileges which the Daimios granted to their favorite merchants and to themselves, had ceased to exist with the fall of feudalism. The consequence was that greater portion of the industrial world was paralyzed completely".

The economic situation of the country was at that time indeed deplorable. Compelled by the force of circumstances, either knowingly or unknowingly, Japan entered into the treaty relations with the Western nations under the conditions not only perilous to the mat-

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8. The Industrial Revolution of Japan, North American Review, Vol. 171.

erial welfare of the country, but even subversive of her sovereign authority as an independent State. (9) By the Tariff Convention of 1866, the whole schedule of duty was revised on the general basis of 5 per cent. on the value of all commodities exported from and imported into Japan (10): for the Japanese Government was - so the phrase goes - "desirous of affording a fresh proof of its wish to promote trade and to cement the friendly relations which exist between their country and foreign nations." (11)

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9. See Mr. E. H. House's articles on the Tariff in Japan, and also Foreign Jurisprudence in Japan; New Princeton Review, Vol. [illegible].

10. According to this revised tariff, all articles of imports were divided into four classes: the first being those which pay specific duty (that was so low as to be less tha 5 per cent on an average), comprising nearly all the manufactured commodities; the second, free goods, which included coins, bullion, personal property not intended for sale, and a few other articles; the third, prohibited goods, viz: opium; and the fourth, goods subject to an ad valorem duty of 5 per cent on the original value at the place of their purchase. A table of tariff on exports was classified in precisely the same manner. For the full text, see Treaties and Conventions between the United States and other Powers. (U. S. Gov't Publ.)

11. Nitobe, Intercourse between the U. S. and Japan, P. 90.

Having thus surrendered, or rather been deprived of its tariff autonomy, the nation had so far to come under foreign influence, and found itself utterly helpless to stand against the combinations of Western skill and capital. The wares of Birmingham and Manchester had superseded the domestic manufactures, especially in the line of textile goods, and many important industries were deranged to an irrepairable extent. Keenly alive to the situation, the Japanese government had repeatedly petitioned the Powers for the removal of the onerous and humiliating provisions of the treaties, but in vain. (12) This was, however, a great external force which helped to bring about a sudden modification of Japan's industries, and to lay the foundation for the recent growth of her foreign commerce, although excited popular feeling would hardly have regarded it so at that time.

At this very juncture of transition, when Japan had thrown open her markets, and when she was seeking the new ideas and life of the Western civilization, nothing would have been more pernicious to the country than the protective policy against the free importation of foreign commodities. It was only by the development of such a new, free, active, and enlarged spirits and wants of the people, that the

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12.

The clause of the treaty provided that the tariff of 1866 should be subject to revision on July 1st, 1872; and the imperial embassy of 1871 had that in view, and since 1881 it became one of the most engrossing questions of practical politics in Japan.

industries of the country were not only given an immense stimulus, but began to be diversified . Perhaps certain infant industries might have grown up much more rapidly under high protection, but the efficacy of legislative action in directing the industrial development of a nation should not be over estimated. The vital hindrance for the initiation of new industries lay much deeper, having, in short, been in the entire ignorance on the part of the people as regards the modern methods of production. Even the advantages of joint capital were unknown to the Japanese, and it was, therefore, the policy of the Government for many years to show the object lessons. The scattered capital of the country was gathered up in the national Banks, and loans were made on liberal terms in order to encourage private enterprises. The Government also influences, for the purpose of facilitating foreign trade, to establish the Yokohama Specie Bank in 1879, which soon founded its branch-offices in New York (1880), Liverpool (1882), London (1884), San Francisco (1886), Shanghai (1893), and Tientsin (1899).

It is noteworthy here that the opening of Japan was happily coincident with the age of steel and iron, steam and electricity. And the commercial development of a nation demands that the internal facilities of the means of communication and transportation should be first opened. Hence with the inauguration of mighty reforms in 1868, the Japanese Government at once employed an army of foreign experts for the construction of the light-houses, the dock and ship-

yards; the telegraphs, the railways, the posts; and for the improvements and reorganization of the various kinds of other works (13). The Government has also established, under the direct supervision and control, factories of many kinds - such as silk, cotton, wool and paper mills, and made a hundred other improvements which seemed likely to enrich the country, and to bear good fruit on the soil of Japan, picking one thing after another from foreign countries. It was apparently the period of transplantation of Western institutions, - social, industrial, and political - to make Japan herself fitted to enter on the comity of nations. The result was that between the years 1881 - 1885 the private enterprises finally started upon a career of independent activities, and many corporations were called into existence.

13.

"British experts organized the navy, and equipped the Osaka mint; Frenchmen reorganized the army, codified the law, and built the Yokosuka dockyard; Germans have directed the higher medical education of the country, and the reform of the entire educational system was chiefly the work of a handful of Americans".

Second Period (1887 - 1900).

A glance at the foregoing diagram suggests an astonishing fact of the accelerated speed with which the foreign commerce of Japan has increased during the period now under consideration. And together with this increase of quantity, the character of trade has also undergone important change. In tracing this closely, we find three distinct lines of development: The first is the natural products which are most suited to the soil of Japan - such as raw silk, coal, and copper; the second, the textile manufactures which consist chiefly of cotton yarn, habutayo (white silk fabrics), and silk handkerchiefs; and under the third line of category come matches, straw-blades, and floor-matting in the order of importance. Nearly all the articles, however, which are included under the second and third heads, and which now form the most important exports, first appeared in the foreign trade of Japan almost simultaneously in 1890. For example, in the case of cotton yarn and habutayo - in 1890 the exports of the former was only 2,000 yen and of the latter 818,000 yen; in 1900 the corresponding figures were 20,789,000 and 18,314,000 yen respectively. In other words, up to 1890, the foreign commerce of Japan was merely the outflow of the surplus produce of the country, the bulk of which consisted only of two articles of raw silk and tea. But since then many new industries were called into existence through the yearly increase of foreign demand, and the export of manufactured

goods has gradually risen to a far larger percentage than that of raw materials.

The order of this development is not difficult to trace. There are, roughly speaking, three successive stages of progress through which the foreign commerce of Japan has grown up to the present dimensions.

First, the export of natural products. Under this head there are four principal products, viz: raw silk, coal, copper, and tea, but the export of the last-named article has made little progress during the period under review. First of all, public attention was naturally paid to the extension of silk culture, the business of which has become exceedingly lucrative through the progressive enhancement of its price on account of the fall of the exchange rate of silver, as well as of the increase of foreign demand. The expansion of this industry is one of the most remarkable features, and the detailed considerations will be given later on in its proper place. What concerns us here is that the silk industry is an old industry, and as such its expansion was naturally the first step to be taken. In regard with the extractive industry, however old it was, the use of modern appliances is of quite recent time. There is a great deal of reason to expect that this form of industry would be first developed with respect to the other. When the advantages of joint capital were realized, and when the private corporations were organized for the first time, a greater part of capital thus gathered was natural

invested where the field was most inviting - such as the opening of coal-mines and the building of railways. This may be accounted for the reason why the export of coal and copper has increased with such a rapidity.

Second, the export of textile manufactures. This falls into two main categories of cotton and silk fabrics; the export of the latter being the natural step on account of the abundance of raw material. So far, however, as Japan has made any progress in this line of silk manufactures, there are only two articles of habutayo (white silk fabrics) and silk handkerchiefs, which need but little skill. Remarkable as it is in the rapidity with which the export of these two articles has increased during the last decade, the industry is still in a very incipient stage, localized only in one district of the north-western portion of the main island.

The second step of development is clearly shown by the recent sudden increase of the exportation of cotton yarns. Here Japan has made a new departure, and has successfully competed with the English and Indian yarns in the neutral markets of continental Asia. It is perhaps in the matter of the spinning industry that modern machinery was introduced on so large a scale - owing, no doubt, to the great difference of the comparative cost of production between hand and machine. This new departure, however, is not wholly accidental. There is a certain economic order which Japan is naturally following in her stage of industrial transition. And this stage of transition is successively reflected upon the character of foreign trade.

Third, such order or stage becomes more marked when we examine closely those articles which we have included under the third head of category - such as matches, straw blades, floor-matting, European umbrellas, hats, clocks, etc. With the exception of straw blades and floor-matting, the exportation of which is the result of the recent consultation of foreign demand and tastes, all the other articles were at one time the important items of our imports, and as such their appearance on the export side of customs returns clearly marks a transitional stage of trade.

The spirit of enterprise has now extended from one industry to another, and the territorial division of labor has gradually been usheredin all the directions of the country to produce that for which Japan is most suited. Foreign demand and tastes, relative power and population have gradually become known, and have carefully been studied. And in this process of the international division of labor, many industries were forced to decay by inaction rather than action, but many new enterprises have sprung up on the ruins of old things. Many towns lost their trade, but new cities - such as Yokohama and Kobe - were built up from mere hamlets, the very face of the country having been remodelled to an extent that there is hardly any cognizable trace of the old feudal boundaries, except a few large castles.

At this very juncture of great transition, it will be convenient to summarize what were the effects of foreign commerce, and in what order Japan has so far developed her trade and industries. Such an inquiry will of course throw a flood of light upon the present

commercial and industrial status of the country, and will enable us to foresee in what direction the foreign commerce of Japan is likely to trend. Five principal lines of consideration may be suggested:

1. Public attention was naturally paid, in the first instance, to lay the foundation for the nation's material progress. Hence, a large part of capital took the forms of railway, steamship, and the like.

2. The extension of railways made it possible for each locality to specialize its industry, and the export of natural products has steadily increased.

3. The creation of new demands among the people, and the change of their habits and tastes called forth the modification of the nature of Japan's industries. The imitation of foreign commodities was first made in those simple lines of manufacture which did not need much skill nor any expensive machinery - such as matches, umbrellas, and fancy articles for the toilet. All these kinds of foreign manufactures were not only completely ousted from the home market, but in certain lines of goods Japan has already entered into active compettition with foreign countries in the neutral markets.

4. The most marked departure has been made in the manufacture of cotton yarns; but it is only in the matter of spinning and a few other industries that Japan has just emerged from the domsetic stage of production to the modern system of factory. There is an economic order to introduce machinery into a country like Japan, where the cost of labor is so cheap. From a purely economic standpoint of view

this order will necessarily follow along the line of the different grades of comparative cost between hand and machine. But a highly organized machinery can only be introduced where a highly organized labor exists, and when a group of dependent industries has likewise been expanded. Hence this form of industry was started only when the means of transportation were facilitated, and the supply of coal became abundant. Japan's command of skilled labor is poor, but it is now universally recognized that in deftness and delicacy of touch Japanese operatives find no rivals in the world, and are best adapted to the lines of fine art and textile manufactures.

5. The distinction, however, must be made between the artistic genius of the Japanese and the mechanical skill of the Western people. Wherever exactness and uniformity are demanded in wares, the Japanese have so far proved a failure. The common sense, energy, and skill of the Western workman are as much the products of generations, as is the inherent ingenuity of the Japanese fine tastes for art. Inasmuch as Japan is still dependent for the supply of nearly every kind of iron works and machinery upon foreign countries, the solid basis for the nation's material progress is lacking, and it will necessarily take a considerable length of time to overcome mechanical difficulties, and to acquire the thorough knowledge and skill of the Western methods of production.

With such results on record, however, there is no doubt that Japan has a great manufacturing future. This tendency becomes more manifest when we examine the recent change in the character of

Japan's imports. During the period of which we are speaking, the import of foodstuffs, raw material - such as cotton, wool, etc., and the various kinds of machinery has steadily increased. Everything points for a great future of Japan as manufacturing country. The limited area of land, considered in connection with the steady growth of population, will necessarily compel the nation to strive for manufacturing pre-eminence. Just how far this process has been made, will best be illustrated by the change in the distribution of the population.

In the first place, the population has begun to concentrate in towns. In 1886, the total number of people living in cities of over 20,000 inhabitants was 3,724,000, or nine per cent of the entire population. In 1898, the number of city population nearly doubled, viz.: 6,018,000; and when compared with the whole, it constituted thirteen per cent. In England, when we remember that over sixty per cent of the people are found in cities, this thirteen per cent is the most striking evidence of the low status of industrial development of Japan. It shows that the people are scattered in small groups all over the country, and the domestic system of production is still holding its greater proportions. But this change in the distribution of the population may be taken as an indication just how far industry has been concentrated in large establishments.

Secondly, the relative numbers of those engaged in different occupations have likewise changed. This may be learned from the following table:--

	1876.	1898.
Farmers	44 per cent	
Artizans	2 "	
Merchants	4 "	
Miscellaneous occupations	8 "	

of the whole population.

Thirdly, there has been a great migration of people to the treaty ports - such as Yokohama and Kobe, and to the industrial center, namely Osaka, which is fast looming up as a Manchester of Japan.

All these changes strikingly emphasize what had taken place in England a century ago when a new era of so-called "Industrial Revolution" was ushered in. There are, however, a great many differences between the England of 1800 and the Japan of 1900, both internally and externally, in the state of affairs. Hence in our case, the process of this revolution is occurring much more sudden, and in the most sweeping manner.

England grew up, so to speak, with three words: inventions, foreign trade, and division of labor. And in the main, Japan is following the same course of development. The state of Japanese

trade may be summarized somewhat as follows: At first, Japan exported natural products - such as raw silk and tea, and received payment in machinery and machine made goods, to a greater extent than needed for home consumption, which led the way to the extension of the foreign market. This is particularly true with such a commodity as raw silk, cotton yarn, coal, copper and matches. The trade of Japan is now at this stage. The industrial processes are not yet so much diversified or specialized. The great agrarian movement is still in the future. If the foreign market be much more expanded, and if mechanical difficulties be overcome, the division and subdivision of labor will proceed from one industry to another; labor will be spared much more rapidly from agriculture, and be used in the manufactures. And these in their reaction will lead to still further extension of markets. Thus in the progressof trade itself, we find an almost boundless field for the embarkment of labor and capital, which brings within everyone's reach such comforts and luxuries as had no existence before, and which will tend to make life nobler and happier.

The Balance of Trade.

In closing this chapter, it will be pertinent to enquire at this point what is the balance of Japan's trade; and this all the more because the large excess of imports over exports which has been a prominent feature of Japan's trade since the late war (1894-5), reaching its climax in 1900 with a serious balance of 82 million yen against Japan. This has naturally enough given rise to a vague apprehension, lest the country might be impoverished ere long, and has revived much discussion on a timeworn topic associated with the name of the mercantile school of the 17th and 18th centuries.

A cursory glance at the foregoing diagram is suggestive, and appeals strongly to the popular belief, that the balance of trade has been persistently "unfavorable", with the exception of a few years between 1882 and 1887 and the two years 1891 and 1892. It is generally taken for granted that such a heavily adverse condition of trade from 1869 to 1881 has been due to the depreciation of the Government's fiat notes and consequent rise of prices. The inflation of paper currency, it is true, drove the specie - most of which was gold - out of the country in this period. The coinage of the Mint fell off rapidly. The efflux of specie, which had never exceeded 2 million yen (14) in previous years, suddenly increased to the tremendous

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14. The official returns relating to the movement of specie became available for the first time in 1872. The above mentioned figures are the balance between the exports and imports of specie and bullion

sum of 13 million yen in 1874, and in the following year to 14 million yen. After an interval of only one year, the outflow once more took an upward tendency until it stopped finally in 1881. It is, however, hardly true that the enhanced prices in inconvertible paper money tended to favor the growth of imports; for foreigners did not exchange commodities for the depreciated paper, but received payment in silver. Although at the same time the prices rose rapidly, yet a a closer examination reveals that the prices of most imported commodities were not raised to any appreciable level (15), owing to a general fall of prices both in Europe and America, which has prevailed since 1873 with a lingering fluctuation, at one time ascribed to the demonetization of silver, or to put it in another way, the appreciation of gold, but now universally recognized as the resultant of many diverse forces, to which - for want of a better word - the term overproduction has been applied, growing out of the general applications of steam and electricity to nearly every part of productive and distributive economy. (16) Hence it seems to me that the great inflow of foreign commodities during this period was due not so much to the progressive enhancement of prices, but rather to "the impulse towards progress which animated the whole nation, and partly to that fondness of human nature for novelties, which manifests itself as well in New Yorkers and Parisians, as in American

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15. See Report on Gold Standard.
16. See Wells, Recent Changes of Economy, and also Smart, Studies in

Indians and Fiji Islanders"(17).

The second period of an unfavorable balance began soon after the War closed in 1895. Stimulated by the astounding victories over the Chinese, the Japanese Government at once drew up two clear-cut plans for becoming a strong military power and a great commercial country. In furtherance of these objects, the Government has made a large, if not lavish, outlay upon national defense, an increased armament, the development of home manufacturing industries, the extension of railway and telephone service, and the encouragement of foreign trade and navigation. (18) For the many public works projected, however, the vast sum of war-indemnity (38 millions of pounds) paid by China proved insufficient, and many millions were diverted from the customary channels of trade, to carry forward these undertakings. This sum, together with large domestic loans and foreign loans floated in the London market, found its way into the pockets of the laboring classes. Such an unusual abundance of money among them has naturally induced extravagant modes of living. The spread of luxury even in the villages far in the interior is nothing short of surprising. The simplicity of Japanese farmers and artizan's life has fast vanished. What was regarded as luxury until ten years ago is now among the necessaries of life. An example of this is

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17. Count Okuma's Industrial Revolution in Japan, North American Review, Vol. 171, 1900.

18. For details, see Count Matsukata's Report on the Post-Bellum Financial Administration in Japan.

the sudden and large importation of sugar which has trebled during the last decade. This general increase of the purchasing power among the mass of the people must be assigned as one of the most potential factors which contributed to the heavily adverse balance of trade:(1

Another factor was the enhancement of prices. Passing from an idle discussion upon the economic connection between the quantity of money and the price-level, we find the bold fact that the index-number of prices has changed constantly and rapidly from 113 in 1890 (20) to 131 in 1895, and within five years after the war to the startling figure of 178 in 1900. There is no doubt, since the current course of foreign trade is largely regulated by prices, that such a sudden rise in prices has acted as an incentive to large importation. Yet we may examine closely the constituent elements, and then we find that the increase was mainly in the lines of raw material - such as wool and cotton, machinery - such as electro-dynamos, and the various kinds of iron works for railway and bridge construction. The truth is that Japan for the first time in this period began fully to enter upon a career of so-called capitalistic production under the modern factory system. The moral effects of the brilliant victory were indeed such that the whole nation seemed, for the time being, to have been swept into a whirl of commercial and industrial mania on account of the anticipation of a tremendous sum of war indemnity.

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19. Financial and Economic Condition in Japan, American Consular Reports, June and August 1901, March 1902.

20. The year 1[illegible] is taken as the basis for calculation.

Various kinds of companies, factories, and institutions were constructed, organized and started one after another. (21) In 1895 the total paid up capital of all the banks and the commercial and industrial companies was 537 million yen, and at the end of 1899 it amounted to 1,756 million yen, an increase of over 227 per cent. within four years. The capital thus increased, however, became fixed capital in an undue proportion, and was spent - with sanguine expectations - in the purchase of instruments, apparatus, tools and machinery. This, together with the already excessive constructions of permanent works initiated by the Government, began to bear an abnormally large ratio to the wealth and resources of the country. For a time things went on well. But in the second half of the year 1897, the tendency to an excess of imports over exports, and a consequent drain of specie became alarming and was intensified in the following year by a furious rush for the importation of goods, in view of a change from the 5% Conventional Tariff (22) to a new Statutory Tariff (23), which became operative on January 1st, 1899. The

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21. See Japanese Investment of Capital, American Consular Reports, [illegible], 1901.

22. For text see "Treaties and Conventions between the U. S and other Powers, Pp. 526 et seq. (U. S.. Gov't. Publ.), also see House, Princeton Review.

23. Compilation of Treaties in Force, 1899, p. [illegible] et seq. (U. S. Gov't. Publ.), also U. S. Consular Reports.

subsequent stringency of the money market on account of the scarcity of cheap working capital was keenly felt, and many undertakings were either wholly or partially abandoned, and no new enterprises were set on foot. At the close of 1899, however, the balance of trade was fairly maintained, and the exodus of specie and bullion seemed to have stopped finally. But the main causes which had iperated unfavorably were still existent. The year 1900 opened with a little feeling of overconfidence in the commercial circles of the country. It soon became apparent that the inflow of commodities ordered abroad with the expectation of better times began to steadily increase with a consequent outflow of specie. Moreover, the silk crop, upon which Japan relies mainly to adjust the balance of her commerce with foreign countries.was a disappointment. All these causes combined to diminish the cash reserves in the National Bank to such an extent that doubts were entertained as to whether the Bank of Japan would be in a position to maintain the convertibility of its notes. (24) The rate of discount was raised to a panic point, and another batch of uncovered notes was emitted beyond the prescribed limit in order to check in time the advent of anticipated crisis.

It must, however, be pointed out here that most of these causes which led to such an unpropitious condition of trade were in their nature transient, and the seeds of a great and lasting expansion of

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24/ See the Trade of Japan, Annual Series of the British Consular Reports, 1901.

Japan's foreign commerce have been sown in this period, and their growth can well be hoped for with confidence.

For the entire period of thirty-three years, 1868 - 1900, the exports of merchandise aggregated 1,953 million yen. In regard wit the imports prior to 1898, an addition of 15 per cent must be made, to cover the cost of freight, insurance and other charges incurred up to the time of their arrival at their destination, in order to give an approximately correct estimate of the cost of imported goods to Japan. This increases the total sum to 2,621 million yen; an unfavorable balance of 668 million yen. On the other hand, it is found that reckoning from 1872, when the official returns relating to the movement of specie became available for the first time, the exports of specie and bullion give a total of 435 million yen, while their imports were 372 million yen - showing thus an excess of 63 million yen on the side of exports. Hence the net balance of about 300 million yen is, roughly speaking, entered on the debtor's side of the nation's account.

How this enormous balance is to be cancelled is the question yet to be solved. Any accurate calculation, however, can never be made in such matter as international indebtedness, where so-called "invisible" items enter in their ever-increasing complexity and influence. Yet the following analyses and statements will furnish a rough idea in regard with the real situation of the balance of Japan's foreign commerce.

First:The foreign commerce of Japan is carried on indirectly through the hands of foreign middlemen resident in the six open ports. Since such is the case, their profits and commissions, though brought down to a reasonable limit by competition among themselves, are and must continue to be great, all the more because in the case of exports the goods sold by the Japanese are sometimes kept in the warehouses of foreigners (25) without any payment to the former for a considerable length of time, according to the conditions of their home markets; while in the case of imports, theorders are transmitted to the foreign manufacturers at a time when they are less occupied with the demands of home orders. Certain features of the foreigners' business methods have thus been rendered especially irksome. Accordingly the Japanese merchants have been constantly striving to establish direct dealings with foreign countries, to stimulate which the Government has used every occasion, so as to dispense with the intermediary service of the resident foreign merchants. In 1880 the amount of direct trade thus done by Japanese merchants independently of foreign agency was 11 per cent; in 1890 it became 19 per cent; and since then it has increased to 38 per cent in 1900, though it has not grown rapidly enough to satisfy the public mind. The profits and commission

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25. This somewhat arbitrary method of transactions reached the climax in 1881, when the dispute between foreigners and Japanese was settled by the intervention of the then resident Minister of the United States of America.

thus accruing to Japanese merchants through their direct transactions form one of the invisible elements, which acts precisely with the same force as the actual exportation of commodities from Japan. We are not, however, concerned here in any considerations of the causes which are impeding the rapid development of direct trade. (26) The vital hindrance lies in the lack of credit in its broad sense. "The trade of Japan", says a British consul, (27) "would never have reached her present proportions, had it not been for the foreign resident merchants; and what is true of the past will remain true for a considerable time to come, until the Japanese obtain the knowledge and foresight in business transactions which can only be acquired by experience, and succeed in inspiring the commercial world

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26. At the suggestion of the Department of Agriculture and Commerce the Tokio Chamber of Commerce made an investigation into the prospects of direct export and import by Japanese merchants. The causes that impede the development of direct foreign trade are enumerated as follows: 1.imperfection of credit system; 2. the high rate of interest in Japan; 3.the ignorance of the Japanese merchants engaged in the direct trade as to the condition of commerce abroad; 4.want of uniformity in quality of Japanese manufactures and frequent deterioration of manufacturing processes. American Consular Reports.

27. British Consular Reports, Miscellaneous Series, #440, 1897.

with confidence. Their credit is not at present sufficiently high for success in direct dealings with foreign countries, and the difficulties of financing their transactions more than counterbalances the gain they make by saving the commission they would otherwise pay to the foreign merchants. No foreign bank would buy a bill drawn on a Japanese firm unless the firm had previously opened credit, and before it could do so it would have to be guaranteed by a Japanese bank of good standing. No firm in Europe or America would at present rely on a Japanese merchant faithfully executing a contract for articles of Japanese manufacture, or would authorize the Japanese merchant to draw a bill on shipment of the goods". It is thus seen to be due to the imperfections of banking facilities, and the absence of business connection with foreign firms abroad. The low tone of commercial morality among the Japanese merchants must also be counted upon as one of the causes which are hampering the development of direct transactions with foreign countries. If these main causes can be overcome, there is no reason, in the present age of facilities for communication and transportation, why consumer and producer, however remote from each other, may not be brought into closer and more direct connection.

Second. Among such profits the earnings of our ships must be considered an important factor, by which Japan's obligations to foreign countries are in no inconsiderable amount discharged; for the effect

of freights is exactly the same as that which we have just stated as exercised by commissions, and will so far show an apparent excess of imports which are really the payment for the service of carrying the trade. The present annual profits derived from Japanese water-transportation is estimated at 15 million yen (28). This sum must therefore be added yearly to the side of exports. As regards the recent development of Japan's merchant marine, sufficient has already been stated before, and it only remains here to enquire what is its distributive share in her own foreign commerce, compared with that played by the vessels of other nations. This can best be studied from the following table:

The Percentage of Tonnage of Japanese
and Foreign Vessels Entering Ports of Japan.

Year	Japanese	English	Others
1880	22	43	35
1890	21	53	26
1899	35	36	29

Thus until 1890 over one-half of our foreign commerce was carried under the English flag. This was due not only to England's supremacy in the world's carrying trade, but also to the fact that the bulk of Japan's import trade was up to this time with England.

28.

Japan, Encycl. Brit. New Vol. 29.

The other ships engaged in the trade were, German, Russian, American, Norwegian and French, in the order mentioned. At present a share of just one-third is falling to Japanese ships. But the tendency, or rather the policy, of which Japan is aptly taking advantage of her peculiarly favorable position to develop, is to build up a great mercantile marine as a means of conducting commercial transactions on both sides of the Pacific Ocean. The profits and commissions on such an enterprise, through the extension of banking facilities and the development of a merchant marine, must be expected to operate to reverse the balance of Japan's foreign commerce.

Third. According to Japanese law, the right of land ownership, and also of engaging in the mining indutrsy, is not extended to foreigners - though a proposal is at present mooted for the removal of this prohibition. A foreigner is, however, entitled to hold mortgage on immovables. (29) There is also nothing to prevent foreigners, as juridical persons formed in accordance with Japanese law, to engage in mining or to carry on a private railway under a license from the Government. These provisions were primarily made to induce an in-

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29. See, Foreign Capital in Japan, American Consular Reports, No. 237, 1902.; Land Titles of Foreigners in Japan, ibid. No. [illegible], 1901; Rights of Foreigners in Japan, ibid No. [illegible], 1900; Mining Privileges in Japan, ibid No. [illegible], 1900; Regulation Relating to Foreign Companies in Japan, ibid No. 229, 1899.

duction of foreign capital upon the conclusion of the New Treaties. Since then quite a considerable sum of foreign capital poured into the country and embarked in various industries. Up to this time, however, foreign capital has been unknown in the Japanese money market on account of legal restrictions, except two foreign loans which were raised in London: the first in 1869, to the amount of 4,880,000 yen; and the second in 1873, 11,712,000 yen, for the construction of the railway between Tokio and Yokohama, and also to supply the capital to the feudal chiefs and their retainers. Since these two foreign loans have been liquidated, the first in 1881 and the second in 1897, and these need not be taken into consideration at present. Such a foreign loan, however, when contracted, must have acted upon the balance of Japan's foreign commerce with the same force as an export, and conversely when the yearly payment was going on. In 1899 Japan sold bonds to the value of some 10 millions of pounds in the London market, and the money thus sent must be added to the net balance; for it is the outstanding liability of Japan towards England. On the other hand, the war indemnity of 38 millions of pounds, out of which some 10 millions were remitted in bullion (30), was brought into the country in the form of merchandise. Since we have already counted the total sum of all the imported specie and bullion, the only balance of

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30. See Encycl. Brit.

some 20 millions of pounds which was imported in shape of commodities must be taken into account. Then the net balance of [illegible]00 million yen will be reduced to only 400 million yen by this one heavy item for which Japan had not to pay. Besides, the Chinese securities and shares held by Japanese, and especially the interest paid from Corea for the considerable sum of capital invested in mining and railway construction there, are an off-set to the international indebtedness. Fourth: The expenses of foreign tourists in Japan amount to no inconsiderable sum. A commissioner connected with the customs service made an investigation in 1900, from which he estimated that 185,000 tourists visited the country during that year, and it has been computed that at least 41 million yen must have been brought into the country in this way. (31) The estimate is certainly not too high, as it allows a little less than 222 yen to each traveller. On the other hand, the Japanese are spending their money in foreign countries, and their remittances perhaps more than counterbalance this item.

When all these things are taken into account, we may fairly maintain that there is little if any balance left. From the very nature of things, a temporary disturbance is inevitable in a given period according to the economic conditions of that time, as was the case soon after the country was opened to the new commerce, and

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31. The General Condition of Trade in Japan, No. [illegible], 190[illegible].

[illegible] after the astounding victories over the Chinese. But in the lo run, the value of exports and imports should be equal; for to quot a familiar phrase, "the commerce of nations is in reality a system of barter on a magnificent scale". (32) Again, in the trade with som particular country may show very favorable or unfavorable balance, when taken with the commercial world at large, the balance may be fairly maintained. The countries with which Japan is trading can be conveniently divided into three classes: those from which Japan is importing more than she is exporting to them; those to which Japan is exporting more than she is importing from them; and those from which Japan's imports and to which Japan's exports are fairly balanced.

To the first class belong England, Germany, British India, Belgium, the Phillipine Islands, and French India – the difference of balance with the last two being rather small. In the category of the second class are Hong Kong, France, Italy, Canada, and other British America. Until 1899 the United States headed the list in this class, but now a change seems to have set in, and we have in 1900 imported from there more than we exported thereto. In the third class were China, Corea, Russian Asia, and Australia.

It is, however, a matter of course that no country will remai long in one of these classes. A constant change is always taking pl in one way or another. Since a further consideration of this is

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32. Bastable's Commerce of Nations, P. 25.

later in a consideration of the geographical distribution of our foreign commerce, we need not here go into any particular details. The main feature is that the balance of Japan's trade with European countries is unfavorable, with the exception of France and Italy, to which countries we are exporting the bulk of raw silk, while that with Asiatic countries is fairly maintained when taken together, though with some it shows an adverse condition. This is owing to our importation of raw materials and foodstuffs. For instance, an exceedingly unfavorable balance of trade with British India is due to raw cotton; that with the Philippines to hemp; and that with French India to rice. But the unfavorable balance with these three countries is cancelled by an exceedingly favorable balance with Hongkong, the value of exports and imports with the rest of Asiatic countries being almost equal. Generally speaking, the trade of Japan with America is fair.

Here we have a triangular form of an international clearing-house system between Europe, Asia and America in the most complicated organization, with its delicate mechanism called a "bill of exchange". The actual working of this system and mechanism is no part of the present paper. According to the movement of the money, the tide of Japan's trade may, in a particular month, turn more on the one side of the Pacific Ocean, or less on the other, or through the narrow passage of the Suez Canal. Yet when all the year has passed, the balance or level is just maintained on each side. From the [illegible]

viewpoint, when the balance is favorable it simply means that importers are in a more advantageous position than exporters, in consequence of the cheap rate of the bill-of-exchange through its abundance, and conversely when unfavorable. Yet it is a matter of an altogether indifference to the nation as a whole. The only question of importance arises from the viewpoint of bankers, as occurred at the close of the year 1900, when the Bank of Japan was threatened with a steady drain of gold. In a country like Japan, where a slight advance in the rate of discount can not induce an inflow of gold from the outside world, this rate must in such case be raised sufficiently high, in spite of the consequent disturbance of the commercial circles, in order to correct exchanges, to check the imports, and to secure the stability of the banking system.

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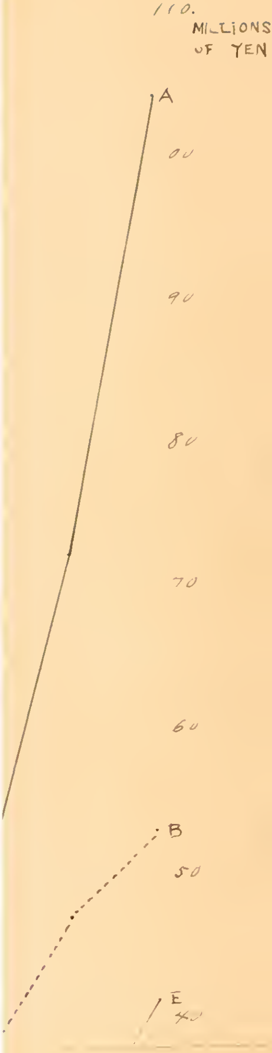

Chapter II.

The Character of Japan's Commerce.

Exports.

We are now in a position, after the general survey of the development of Japan's foreign commerce, to proceed to a more special consideration of the character of its exports and imports, and in the light of these examinations to make estimate on the relative importance of her many diverse industries, and to point out their rise and fallwhich have been brought about through the direct effect of foreign commerce. In so doing, it will be convenient to classify all the commodities exported from Japan under the five main heads of agricultural products, minerals, textiles, other manufactures, and marine products.

1. Agricultural Products.

Raw Silk.

Of the agricultural products raw silk stands in the foremost rank, and its exports are so large that, after the home market has been supplied, they amounted in 1900 to 9,710,000 kin, valued at 12 million yen; that is, 24 per cent of the total value of our export trade.

In Japan no parallel industry has received so great an impulse by the opening of the new commerce as the silk culture. Soon after the exports of raw silk, began in 1859, its price rose up rapidly within a few years ten or sixteenfold, owing to a disease of silk worms which raged in Europe between 1856 and 1870 (33).

And it thus happened that in 1868 over 40 per cent of Japan's exports consisted of raw silk. Again, in 1876 a failure of the silk crop in France and Italy suddenly increased the exports of our silk from 5 million yen in 1875 to 13 million yen in the following year. About this time two great silk-spinning factories were established under the auspices of the Government, with the most approved machines of European pattern. In 1879 another factory was added, and in

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33.

J. J. Rein's Industries of Japan, P.1[illegible], Pp.200-207, P.[illegible].

1880 still another was called into existence through the stimulus of foreign demands for fine and uniform yarns. The silk industry began now to assume a new aspect, stimulated largely by the enhanced prices, on account of the progressive fall in the exchange value of silver. It was not, however, until 1895 (34), when five factories were established at the same time, that Japan can be said to have begun to make a gigantic stride in this line of industries. At present the number of silk-reeling factories is nine, these having more than 40,000 spindles, with over 51,000 operatives. In the meantime the small factories owned by private individuals, run mostly by water power, have also constantly increased. In 1900 the number of such small factories was estimated at 3,600, though the aggregate of their productive capacity can not be ascertained. Besides these, there is quite an extensive use of hand spindles among the farming classes, the estimate being that there are more than 425,000 houses where silk-reeling is carried on with simple and crude instruments.

Thus the silk culture in Japan is scattered all over the country. Yet the most favorable place lies in the table land of the middle and northern portions of the main island: viz: Nagano, Gumma, Fukushima, Kanagawa, Yamanashi, Saitama, Gifu, Yamagata and Miyagi.

34.

Silk Spinning in Japan, Am. Consular Reports, No. [illegible], 1900.

From this reason, the most remarkable progress has been made in these provinces during the last two decades. In 1881 the total area under the cultivation of silk was 102,000 cho, and at the end of 1900 reached 370,000 cho, the increase being threefold, while the annual production of silk increased fivefold in the corresponding years. As a silk producing country, Japan now stands next to China, and the annual amount of silk produced in Japan exceeds that of the whole Western Europe: France, Italy, Spain, and Austro-Hungary put together (35). The demands for silk comes from all over the world. Of the total exports over 50 per cent goes to the United States, while the balance is distributed among France, England and Italy. The world's total consumption of silk is raipdly increasing, and it is in this line of industries that Japan's immediate expansion may be expected.

There is, however, much room for improvement in the matter of quality to compete successfully with the best filatures of European origin, and to hold our present position before Chinese silk in the

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35.

The World's Production of Silk, American Consular Reports, No. 246, 1900.

foreign markets. Though the competition of Chinese silk has not been felt much up to the present time, yet it must be fully realized in view of the fact that its improvement is going to be initiated under foreign management and foreign capital in Shanghai and in other places.

Tea.

Tea is one of the principal products of the country, and its exports amount at present to some eight or nine million yen yearly. The Japanese foreign trade of tea, however, has not made much progress during the last thirty years. This may be to some extent ascribed to the increase of home consumption, through the gradual increase of population. Yet the tea-producing area in Japan has actually decreased 28 per cent within the last eight years; namely, from 63,000 cho in 1892 to 49,000 cho in 1900. Such a diminution of this area is perhaps due to the extension of the mulberry orchards or some other produce. But this is the effect rather than the cause. So far as can be traced, the most conceivable cause which has hampered the development of our exports of tea is the competition of Chinese tea.

As a tea-producing country Japan stands far behind India, Ceylon and China, though far above Java. In no way therefore can Japan compete in the continental markets with these countries, which are situated in more favorable position economically in every respect.

Moreover, the tea produced in Japan is green tea, and differing radically in flavor and bouquet from the black tea of China, appeals better to American tastes than European. This is the reason why the total exports of Japanese tea go to North America. The United States is solely dependent for the supply of tea upon China and Japan, and the amount imported from these two countries nearly equals, with a slight advance in favor of China. Here the Japanese tea is meeting with fierce competition.

Until 1869 China practically monopolized the tea trade of the world, but since then India sprang up as a rival, the result was that the importation of Chinese tea to England has decreased to an insignificant quantity, while the annual production of tea in India has increased 161 per cent during the past fifteen years. (36) The consequent change in the destination of shipment of Chinese tea is worthy of note. During the last decade the exportation of Chinese tea to Europe fell off much more than one-half, whereas that to the United States and to Canada has almost been quadrupled. (37) This strik

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36. The Tea Trade of England with India, Ceylon and China, Amer. Cons. Reports, No.242,1900; Tea in India, Ibid. No.243,1900.

37. The Tea Trade of China in 1900, Ibid, No. 251, 1901.

Fact of the change in the destination of Chinese tea tells against the tardy condition of Japanese tea trade in North America. Besides, Japan has also been losing her hold lately in Canada, through the competition of Ceylon tea, which has increased nearly 40 per cent during the past five years, while Japanese tea shows a falling-off of nearly the same percentage. Such an ascendancy of Ceylon tea is attributed to an enormous sum of money spent in the way of advertisement, and to the reduction of the cost and its price by the application of machinery for the manufacture of tea. From the very fact that Chinese tea has already, if not wholly yet partially, been ousted from Europe, an appearance of Ceylon tea in the neutral markets of North America must be regarded as the first sign of an ensuing struggle for mutual exploitation among the tea-producing countries in the Orient.

The prospect of Japanese tea is becoming more favorable. Since the possession of Formosa, as a result of the recent ChinoJapanese War, Japan has secured one of the best soils for tea cultivation. Up to 1871 or 1872, Formosa had produced but little tea. Through the efforts made by Chinese tea merchants, tea plantations have made rapid progress there since that time, and Amoy of China is [illegible]

dependent upon the Formosan tea trade for its prosperity. (38) The Formosan Oolong is now universally recognized as the choicest tea grown in the world. "Its production", says an American Consul (39), "is the most important and valuable industry in Formosa. Although occupying but one -sixth of the territory utilized for sugar, but a a fraction of that given up to rice or of the area covered with the vast camphor forests, the production brings to the island nearly five times the receipts obtained from sugar, over five times that obtained from camphor, and more than one half of the total value of the whole export trade of Formosa." In 1897, the total value of tea exported from Formosa amounted to 3,921,000 yen. Kobe is now gradually displacing Amoy as a trans-shipping point, which the Japanese Government has also taken measures to stimulate by imposing a preferential duty on teas shipped to foreign countries, as against those shipped to Japan.

38. Formosan Tea Trade, American Consular Reports, No. 215, 1899.

39. Ibid, No. 225, 1899.

Rice (40).

The demand for rice has gradually increased, owing to the gradual recognition of the superior quality of Japanese rice. Until 1873 the export of rice had been prohibited by law, the object being undoubtedly to prevent a rise in the price of rice through its exportation. This law was, however, repealed in 1873, and the export of rice began, at first as a payment for the foreign loan, to London. At present the demands for it come from the Western markets as well from the United States. A serious drawback to the export of Japanese rice is the want of uniformity and stability in both quality and quantity sent abroad, and the consequent impossibility of giving any fixed quotation to the world's market. The fluctuation is so violent, according to a good or bad year for the crops, that no standard can be obtained by which we can measure the development of its exports. In 1899 the total value of rice exported from Japan amounted to 10 million yen, but in the following year it decreased to to one-third of this amount. Japan seems almost to have reached the potential maximum in her production of rice, both in area and output. During the past twenty years the rice-growing area shows an increase of but a small fraction of nine percent, that is to say, from 2,500,000

40. Further consideration is given under the head of the Imports of Rice.

cho in 1881 to 2,800,000 cho in 1900. Every inch of the arable land has been brought under cultivation by the labors of many centuries, and even the mountains are quite often cultivated to their highest summits, manure being carried up laboriously on human shoulders. Under these circumstances there is at present no prospect for any large extension of cultivable soil, with the exception of Hokkai Do, the northernmost island of Japan, a greater part of which still remains intact. Whether primitive or not in the method of production, the Japanese farmer understands his work so thoroughly, that by elaborate means of irrigation and the skillful use of fertilizers, he has been able to turn out rich harvests on the same land during fifteen or twenty centuries. It will thus be inferred that any agrarian improvements in more scientific process of intense cultivation would hardly increase the total output to any appreciable amount. And especially in view of the fact that the population of Japan is increasing at the rate of considerably over 1 percent annually, the future of the exports of Japanese rice can well be imagined.

2. Mineral Products.

Precious Metals.

There was a time when the word Zipangu or Japan was synonymous with gold and silver; yet the present smallness of the annual yield, which amounted in 1900 to only five million yen (gold 2.3763 and silver 6.1686 in quantity), hardly warrants this ancient belief in the fabulous wealth of Japan.

When the Japanese first came into contact with the Portuguese, and later with the Dutch, there was a considerable stock of precious metals, and especially of gold, in the country. Hence the relative value of gold as compared with silver was as 6 of the latter to 1 of the former; whereas in Europe it was 12 to 1. The total value of precious metals exported from Japan during the sixteenth and seventeenth centuries is estimated at One Hundred and Three millions of pounds,(11) wi

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(11) After viewing many writers' opinions, Dr. Geerts makes the following estimates:

			Pounds.
Portuguese	- - Gold and Silver		59,500,00
Dutch	- - "	15,482,250	
	Silver	28,000,000	43,482,
	or nearly		103 mil

Useful Minerals and Metallurgy of the Japanese, Trans. of Asiatic Soc. of Japan. Vol. IV. P. 91.

a large preponderance of gold. "This relatively large amount of gold", says Dr. Geerts, "does not prove, however, the extreme richness of the country, because it was in reality the product of gold-washing during many centuries. Japan being closed at that time to nearly the whole world, the gold remained in the country and augmented with each year. Under these circumstances, the quantity of gold must have been considerable after so many centuries, even if the country contained but a moderate quantity of ore". Whether this is well-founded or not, the active extraction of metals was in the years 1590 to 1671, when an edict of the Shogunate put a peremptory stop to the exportation of all bullion, and since that year the records show a constant decline in the annual output of precious metals. It is true that many of the present mines are several centuries' standing, and as such they have already begun or will soon commence to be exhausted, or at least to give such an increasing difficulty for extraction, that any more application of capital and labor would not cover the cost of working. The exhaustion of a few very old mines, however, does not by any means involve the exhaustion of the Japanese soil. Again, there are many of the old mines which were flooded and abandoned, not on account of the practical exhaustion, but on account of the lack of easily accessible and workable deposits by the Japanese methods of mining. (42) If, therefore, these old

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42. Henry S. Munroe, The Japanese Engineering and Mining Journal. Vol. [illegible].

mines can be re-opened with more improved methods and machinery, and if foreign capital will join in the work under a more liberal mining law, we are not too sanguine to expect that the annual yield of precious metals will equal, if not exceed, that of former times. "Gold Veins", says an authority (43), "are very well distributed throughout the country, from Hokkaido in the north to the farthest end of Kiushu in the south, and by employing proper methods there should be no difficulty in placing Japan among the gold producing countries". Quite recently one gold mine was discovered in Hokkaido, with sand in large quantity; but the result still remains to be seen. Since, however, the present export of precious metals is very insignificant, we can well dispose of the subject with but a passing notice. The subterranean treasure of Japan, contrary to what had been believed, lies in the rich deposits of coal and copper.

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43. Mineral Products of Japan, American Consular Reports, No. 260, 1902.

Coal.

The export of coal is one of the phenomenal features. During a period of twenty years ending in 1900, the exportation of coal increased from only 234,000 tons to 3,350,000 tons, while the corresponding value was from 1 million yen to 20 million yen. Most of the coal mines in Japan were started between the years 1887 and 1890, the period during which the so-called "coal fever" prevailed in the country, accentuated by the removal of the export duty on coal in 1888; but the decided increase of its exports began in 1897, due to the universal industrial activities soon after the war closed. It varies from the hardest anthracite to peat, but the quality is said to be generally inferior to that of American coal. Trans-Pacific now coal regularly not only at the ports of Japan, but Japanese coal has already superseded Australian coal at the Hongkong and Singapore coaling stations, and is rapidly pushing its way further westward to Bombay. The idea of exporting Hokkaido coal to America has already been considered by both nations, and the completion of the trans-Siberian railway will necessarily call forth an increase in the export for steamers and locomotives. Having thus in mind the practical unlimitedness for the demand for coal, let us turn to consider whether the collieries of the country can continuously supply such an increasing demand, both home and foreign, which is rapidly growing by the extension of railways, the increase of men-of-war and steamships,

the erection of gas works and various kinds of factories, and so on.

According to the estimate of Henry S. Munroe, 1870, the total coal bearing area in Japan was about 5,000 square miles, while the average thickness of veins is fifteen feet. The coal product of Great Britain, it has been estimated, is equivalent to the labor of one hundred and thirty three millions of operatives working without wages for her enrichment. Japan, says Mr. Munroe, has now, in the Ishikari field alone, stored up, and available for at least two centuries' use, the labor of an equal body of men (44). But it may be very much doubted whether this report of Mr. Munroe is not somewhat exaggerated. Though since then the more careful Geological Survey and reconnoissance have been made, yet it seems from the very nature of things, that any exact extent and amount of deposits can not be ascertained with numerical precision. (45)

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44. Quoted by Mr. Y. Ono in his Industrial Transition in Japan, Publ. of American Econ. Ass'n., Vol. 5. Pp. 52-53.

45. See the reports of Mr. Lyman, an American Geologist, and also somewhat careful study of the coal mines in Japan, in the Annual Series of British Consular Reports, No. 1678, 1895.

In 1909 the number of plants for coal mining was 2,108, comprising an area of over 318,844,870 tsubo (1 tsubo = 0.03306 are), with a supply of 1,597,000,000 tons of coal, on an estimate of 5 tons per tsubo. But since the extension of mining plants does not represent the proper area of coal deposits, this estimate can not be claimed in any sense as accurate; yet it serves well its purpose to indicate the rough dimensions of our hidden treasure. At the present rate of consumption, which amounts to some 9 millions tons (viz.: 4 million tons for export, and 5 million tons for home use) this supply will, roughly speaking, last about one hundred and seventy years. Considering, however, that some of these coal "setts" contain no trace of coal, or only coals of inferior quality, or are such kind of deposits which are too thin to be worked, or where mining must sooner or later be abandoned because of floods or the geological changes in the seams, we are perhaps on a right track to take a more conservative view for the source of coal supply, than the figures estimated.

In the past our industries relied not upon coal, but upon wood for fuel to obtain their motive power, and have been supported by virtue of richness of forests. Now in a country like Japan, where the entire stock of fuel for the domestic use is either wood or charcoal, the annual consumption not only amounts to an enormous quantity, but it will also increase in proportion to the increase of the families. Sufficient care and cultivation of forests by the so-called "[illegible] [illegible]" could hardly keep pace with this increasing demand. In short,

the price of wood and charcoal has steadily gone up during the past twenty years, and so much so, that the substitution of coal for wood fuel has rapidly taken place in many of the old industries, such as salt boiling, for instance. This, together with the rise of new industries and the extension of railways and steamships, has increased the home consumption of coal from 1,430,000 tons in 1890 to 4,994,000 tons in 1900, at an average rate of 350,000 tons annually. In whichever way we regard the matter, the annual demand for coal, both inland and abroad, will increase at a faster rate than before for a considerable number of years to come. Hence we are forced to conclude, that though there be a large stock of coal deposits yet undiscovered, the present methods of mining in separate and small plants, with inadequate capital and especially with an unsystematic and irregular mode of working from a mere consideration of temporary profits, must be vigorously prohibited - in order to keep the source of coal supply as steady and permanent as possible. In Japan, where an abundant supply of natural water power from the mountains can easily be obtained, the utilization of this motive power would result in a great economy of coal. The reason why the use of water power in Japan is still insignificant, is not because it is difficult to obtain, but because any sufficient effort has not yet been made to convey it in the form of electricity to the accessible points for manufacturing purposes.

Copper.

The export of copper has also made none the less remarkable progress during the past twenty years. In 1880, the total export of copper, both refined and coarse, was 2,000,000 kin, valued at 461,000 yen; and in 1900 it amounted to 34,000,000 kin, or 12,863,000 yen, the increase being sixteenfold in quantity and nearly twenty-sevenfold in value. But this large preponderant increase in value is due not to the rise of price, but to the increase of the exportation of refined copper in comparison with the coarse metal.

Copper is found almost everywhere in Japan, and has been mined from very early times. Its export began in 1644, when the exportation of silver had to be practically abandoned, and formed one of the most important commodities for the Dutch trade. Though the annual amount of the export was limited by law, yet it is calculated that 206,253 tons of copper were exported by the Dutch during this period from 1609 to 1858 (46), and consequently from the latter part of the 17th century copper became scarce in the country. Of late years the extended foreign demand for this metal, which comes principally from British India, China, and Hongkong, has stimulated industry, and a considerable capital has been invested in modern appliances, the result of which is the rapid increase of the annual output of copper since 1885, and in 1900 the total yield amounted to 40,000,000 kin. Though copper is

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46. Rein, Japan, P. 325

freely been used for the manufacture of various kinds of wares, yet its home consumption does not amount to any noteworthy quantity.

3. Textile Manufactures.

Cotton Yarns.

Here Japan started in a new career, and has made the most marvelous progress within only one decade. In 1890, the cotton yarn was exported for the first time, to the amount of 9,000 kin, valued at 3,000 yen, which increased at a bound to the tremendous quantity of 62,319,000 kin in 1900, the total value of which was 20,589,000 yen, in spite of the fact that the year 1900 was a particularly bad year for the cotton trade on account of the Boxer trouble, which practically closed a greater portion of the North China trade, and reduced the total amount of the export of our cotton yarn more than 38 per cent, as compared with that of the previous year. The coarser yarns of Lancashire and Bombay have now not only been superseded entirely in the home market, but Japanese yarns have successfully competed in the neutral markets of continental Asia, ousting English and Indian yarns from Corea, China and Hongkong. During the past five years the export of English yarns to Corea decreased one-half, and that of Indian yarns to nearly one-twentyeighth, whereas the export of Japanese yarns in-

creased sixfold. According to the customs returns of China, however, the Indian yarns have constituted 72 per cent of the total yarns imported into China in 1900, while the Japanese yarn formed but 26 %. Japanese yarns have been introduced in Tientsin, Chefoo, Newchwang, Hankow, and a few other districts; while the Bombay yarn is distributed widely in the interior of China. In the large consuming districts such as Chowkei, Gisho, and - in short - in southern China, no sale of Japanese yarn has as yet been recorded. It will thus be seen that the competition of our cotton yarns in the Chinese market is in an incipient stage.

To review briefly the history of cotton spinning in Japan, the feudal chief of Satsuma started a mill with 5,000 spindles in 1862. During the two decades following, there were only one or two factories established for spinning cotton yarns. Between the years 1881 and 1885, however, the period during which the private enterprises in Japan finally started upon a career of independent activities, there were no less than twenty one cotton-spinning factories called into existence, having a total number of 62,000 spindles. "By foreign observers", says a foreign writer (47), "this new departure was regarded with contemptuous amusement. The Japanese were declared without organizing capacity, incapable of sustained energy, and generally unfitted for factory work". But looking back upon the history

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47. Japan, Encycl. Britt. New Vol. 29.

of the textile industry in Great Britain, which now constitutes one of the most important corner stones of her wealth and power, and remembering that at the time she embarked on cotton-spinning a little more than a century ago she had to face the most adverse circumstances we perceive that the case has been entirely different in Japan. The Japanese are within comparatively easy reach of the great centres of cotton supply; they are, moreover, producing at least one-fourth of it; and have, above all, command of probably the cheapest and most intelligent, if not the most skillful, labor in the world - particularly in this line of industries. Under such circumstances it is not at all surprising that the pessimistic views entertained by foreign observers were radically modified, when by 1900 the number of mills had increased to seventy-nine, with a total paid-up capital of 70 million yen, and the number of spindles to 1,088,000 turning out 201,000,000 kin of cotton yarns. Considerably over two-thirds of the yield have thus remained in the country, and are so far checking the importations of foreign yarns.

In view of such a rapid growth of cotton-spinning industry in Japan, let us briefly consider under what economic advantages and disadvantages the Japanese spinner is competing with his rivals in Manchester and Bombay. It is said that the hands employed in Japan are three or four times as numerous as in the English factories, though

my data are by no means conclusive (48). In this respect, the Japanese spinner is handicapped by the scarcity of skilled labor; yet when compared with those in India, the proportion of operatives to spindles is practically the same in both countries, being about one workman to 50 spindles (49). In deftness and delicacy of touch, Japanese operatives find no rival in the world, but lack of efficiency is entirely owing to the lack of experience, and time alone will solve the problem. This disadvantage is, however, counterbalanced by the longer working hours of the Japanese mills, which are kept at work twenty-three hours out of twenty-four, with one shift of operatives, and consequently their production per spindle is 40 per cent greater than production at the Bombay mills, and nearly double the production at English mills. (50) Another, and by far the most important, factor is the low rate of wages, which was 9 cents per diem (American gold)

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48. For example, two men, six women, and two children are observed to be in attendance of one pair of mules of 800 spindles each. In England, one man and two boys would look after one pair of mules of 1,000 spindles each. Miscellaneous Series of British Consular Reports, No. 440. 1897.

49. Ibid, No. 231, 1892

50. Japan, Encycl. Britt. New Vol. 29.

for men, and 5 cts. for women in India; while in the same year it ranged from $1.34 to $1.68 in England, and from 13 to 35 cents per diem in India (51). It will thus be seen that the wages of the Japanese spinners are far lower than those ruling in India. Though it is a false notion that low wages in themselves are sufficient to establish Japan's yarn trade, and that it is only where high wages prevail and laborers are well fed and well clad that efficiency in labor can be expected, yet there is no gainsaying the fact that rate of wages has much to do with the determination of the cost of production as has anything else. The scarcity of capital and the consequent high rate of interest, which ranges from 8 to 10 per cent, and sometimes even as high as 12 per cent, is another drawback - whereas the average rate of interest in Europe on good security is 4 per cent or less. But this is et off, again, by the aforementioned longer working hours of the Japanese mills and the consequent larger production of yarn per spindle. Whether the mills are run at night or not, the cotton spinning companies have to pay the same rate of interest, and this is the reason why all of the Japanese mills are run day and night. In regard to the supply of cotton, Japan is in a disatvantageous position so far as she depends for it upon foreign countries.

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51. The sex is unknown. "Wages in Commercial Countries", Fifteenth Annual Report of the Commissioner of Labor, U. S. 1900. Vol. 2, P. 1374.

According to the British Consula-r Reports, Japanese cotton is said to be too short in staple and too coarse in quality for spinning the higher counts of yarns, while the lower counts spun from it are too weak to be used in power-loom weaving (52). Yet the carriage of cotton has been so much reduced through the recent development of merchant marine, that the distance from the source of supply is no longer an important factor. Coal is abundant and cheap in Japan. But unfortunately the absence of reliable data precludes any more approximate estimation on the comparative cost of producing yarns in these three countries. And the cost of production differs especially according to the economic condition of each locality in which the mill is situated, as also with its size and management. No two factories, perhaps, are declaring the same rate of dividend/ there being a wide margin of discrepancy in the profit obtained. But from the mere fact that the coarser yarns of Lancashire and Bombay have not only been entirely ousted from the home market without any protection of tariffs, but also the Japanese yarn is successfully competing in the neutral markets of continental Asia, and when we remember tha t the average annual profit per spindle is, at present 3½ yen, or 13-1/3 per cent on the capital, we can fairly infer that the cotton spinning industry in Ja-pan is on the Road to success.

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52. Miscellaneous Series. No. 231, 1902.

Silk Fabrics..

The export of silk fabrics consists chiefly of handkerchiefs and habutayo (white silk fabrics); the amount of the former was 3 million yen (826,000 dozens), while the latter was 818,000 yen (104,000 *tan*) in 1890; and at the end of 1900 the corresponding figures increased to 4 million yen (1,133,000 dozens) and 18 million yen (968,000 *tan*) respectively.

This trade was started for the first time in 1887, with the exclusive object of exporting the white silk fabrics called habutayo, and the industry is nearly concentrated in one district of the Fukui prefecture, situated on the north-western coast of the main island. From the unmistakable figure mentioned above, we can well regard the development as one of the most remarkable features; yet it may rightly be asked why the Japanese manufacturers, with all the immense amount of raw material and cheap labor at hand, had not begun much earlier to enter into competition with European silk markets. The explanation is apparent: for the silk weaving industry in Japan has been much and variously damaged at the opening of the new commerce "The cheap cotton and wool stuffs, thrown on the market from foreign countries for several decades, compete constantly more strongly with silk materials. Most of the velvet looms were obliged to suspend competition with the extraordinarily cheap velvets of Manchester. And the export of raw silk has had a great influence on the price of the raw material. Many Japanese, under these circumstances, found themselves obliged to give up their custom of wearing all silk clothing (53),

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53. Rein, The Industries of Japan. P. 381.

and to use the much cheaper woolen and cotton material". But the vital question, it appears to me, lies in the lack of skill and the difference of artistic tastes and designs as well as in the dying. From the peculiarity of customs and requirements, it is difficult for Japanese manufacturers to follow the patterns and designs of Parisian and Lyonnese artists, which are ever changing according to the fashion of the season.

In Japan silk is mainly manufactured for satin, striped cloth, crape and sashes, different in both form and design, so as to fit the needs of the people. Recently one large silk factory was established in Kyoto, with the most improved machinery from France, and employed a few French experts with the avowed intention of manufacturing silk fabrics for export. After some years of unsuccessful attempt the project was abandoned, and the mill is at present manufacturing curtain and upholstery materials, which have found a good market in England and Australia, and is also making satins and sash materials for home use (54). It will thus be found that the lack of skill and experience is the most insurmountable barrier to the development of the silk weaving industry. When we remember that the French weavers on the Croix-Rousse Hill have no idea how many generations their families hav been working in the same rooms, and the direct descent and succession (55)

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54. Textile Industries in Japan, American Cons. Report,No.224, 1899.

55. See the brief sketch of the history of the silk Industry in France, Ibid, No. 240. 1899

counts back for several centuries, it is plain that the industrial development of a nation can never be made by any hot-house method. Another cause worthy of mention is the absence of power-looms. While the spinning industry has made a marvelous development during the last twenty years, weaving by steam and electric machinery has progressed at a much more tardy pace. The reason can readily be seen in the difference of efficiency between hand labor and machinery which is so conspicuous in the case of the spinning industry, while in the case of weaving the advantages of modern machinery are hardly so great as to invite such a sudden introduction. There is also a great difference of the cost between a native hand loom and a power machine : the former costs but 5 yen, while the latter would not only require a separate building, but would cost with accessories, say nearly 500 yen (56). These causes, together with an extensive use of hand looms in private houses, are delaying to a great extent the introduction of power looms. In 1899 there were 741,000 hand looms in use in Japan, excluding those in private houses merely for domestic use and home consumption, employing some 820,000 weavers including both men and women. From the comparative numbers of looms and hands, we can well infer that the use of power looms in Japan is still very insignificant and that the old system of domestic manufacture still controls this

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56. The Textile Industry of Japan, American Cons. Reports, #224,1899.

industry, to an extent that is indicated by the comparatively recent growth of the export of our silk fabrics.

Cotton Fabrics.

Under such circumstances it is small wonder that the export of our cotton piece goods to China and Corea, though growing steadily, is hardly worth more than a passing notice. In 1890 it was 173,000 yen and between the years 1895 - 1900 it has increased from 1,109,000 yen to 5,723,000 yen.

Another manufacture is that of carpets and rugs, the demand for which comes almost exclusively from the United States. In Japan carpets and rugs are a modern luxury. Before the days of foreign commerce, those used in the country were merely a kind of cushion made of cotton and silk; but the fancy of the people for foreign carpets at the opening of the new commerce stimulated the industry, and in course of time it has been so much improved, that already in 1878 carpets and rugs began to be exported to Europe and America (57). The materials used are hemp, jute, cotton, wool, and silk - the two latter separately or in combination. The designs are mostly imitations of Turkis and Persian rugs, and some of the old flowers of Japanese designs with fast dyes and beautiful shades. In both appearance and durability, the Japanese carpets and rugs are said to be almost equal to those of Turkey (58).Through the yearly increase of a foreign demand, the trade

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57. Misc. Series of British Cons. Reports, No. 440, 1897.

58. Ibid, Annual Series, 1897.

has now grown to large proportions, amounting to 2 million yen annually, and affords one of the striking examples of the successful competition between cheap labor and machinery, because this is largely a "home industry" with the hand looms. Only one or two factories employ more than 100 hands each, Kobe being the centre of the rug-making district (59).

Finally, before leaving the textile manufactures, let me call your attention to their pre-eminent importance in Japan's foreign commerce, which constituted over 50 per cent of her total exports, if we include the raw silk. It is, however, only in the spinning industry that our textile manufacture s began to make rapid progress, and they are just emerging from the domestic stage of production. In regard to the weaving industry, Japa n can not yet manufacture enough for the home demand, and is a large importer of the various kinds of foreign textile manufactures.

In this respect we can clearly find that there is a greater disparity in Japan's industrial development in her transitional stage. In our present industrial society, where the division of labor is carried to an extreme,with its mutual interdependence, the expansion and the healthy growth of any industry are only possible when the dependent industrues and organizations are equally extended. For instance, the sudden growth of the silk weaving industry in Fukui pre-

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59. The Textile Industry of Japan, American Consular Reports, No. 224, 1899.

facture felt keenly the imperfection of the banking facilities to move their output, while the cotton spinners have always had the difficulty in getting a sufficient supply of labor. If to this we add the lack of commercial experience and business management, we can well realize under how many serious impediments these industries have labored to assume their present dimensions.

4. Other Manufactures.

Artistic Works.

The manufactured commodities exported from Japan other than the textile manufactures can conveniently be divided into two groups: Artistic works, and non-artistic works. In the first class are porcelain and earthen wares, cloissone, metal and bamboo works, lacquer wares, wood and ivory carvings; while the second includes matches, straw-braids, floor mattings, camphor, paper, fans, umbrellas, clocks, tooth brushes, and a hundred other articles.

"Whether good or not", says Mr. Ono (60), "both in design and workmanship, Japanese art carries with it the taste and the aspiration of the race. And nowhere is the insular character of Japan so strongly marked as in her arts and manufactures. Up to the time of the London Exhibition of 1862, the civilized people of the West were as ignorant of Japanese art, as were the artists of the 18th century, of the Eglin marbles. But since then it has been thoroughly advertised by means of the expositions of Paris, Vienna, and Philadelphia".

Let us here just quote a few passages from a popular magazine to

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60. The Industrail Transition in Japan, The Publ. of American Econ. Ass'n., Vol. 5, P. 48.

show what the world said about Japanese art at the time: "Wherever you moved about among the ornamental works of the Exhibition of Vienna", says a writer, (61) " and especially among the ceramics, the wood-carving, and the precious metals, you saw the Japnese ideas in the ascendant. As for the fabrics of the famous pottery ware, the coloring of the painted flowers and the tints of the birds, they were the envy and despair of Staffordshire potteries and Parisian artists. No European fingers had the nicety to manipulate those minute plaques of gold that were wrought into those wondrous designs on the exquisitely finished cabinets". "The rich treasures of art-work", says Sir Rutherford Alcock (62), "came upon Europe as a new revelation in decorative and industrial art, and have continued since to exercise a strong and abiding influence on all industrial art-work." Just how far our art-works have attracted the world's attention can be imagined by the remarkable extent to which the Japanese models of ceramics and bronze works have been produced in England and France (63), and the recent imitation of lacquer wares in Germany. All of those artistic works were developed during the time when artizans enjoyed the patronage of feudal chiefs, and when they competed with each other

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61. Blackwood's Magazine, Vol.115,p.697; Living Age,No.122, p.239.

62. Japan, Encyclpaedia Brittanica, Ninth Ed.

63. See Rein, The Industries of Japan, Pp. 331 - 334.

in order to obtain that privilege and honor. It was regarded as a sort of private property on account of the time and patience required to attain such a degree of skill, trade secrets being jealously guarded, and handed down from father to son. "Its antiquity", says Captain Brinkly (64), "is not, indeed, comparable to that of ancient Egypt or Greece, but no country in the world besides Japan can boast a living and highly developed art, that has numbered upwards of twelve hundred years of unbroken and brilliant productiveness. It is generally supposed to have reached its culmination in the hands of a group of great experts, who flourished during the second half of the 18th century and the first half of the 19th; it was the era of the artizan artist".

We are not, however, concerned here to view the subject from the standpoint of art, but from an economic standpoint as one of our wealth and resources. "Very few pieces of the highest artistic merit have been produced since the Restoration", says Dr. Griffis (65); as the making of porcelain and faience in Japan has since 1868 degenerated from an art to a trade. Formerly the artisan was an artist, and worked for low wages and honor. He lived on a few bronze cash per day, yet enjoyed the presence and friendship of his lord" Accordingly, most of these industries naturally suffered a sudden check with the downfall of the feudal system, when all the patronages and

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64. Japan, Encycl. Britt. New Vol. 29.

65. The Mikado's Empire, P. 656.

business privileges granted by the feudal lords to their favorite artisans and merchants had ceased to exist. Although the industries began soon to regain vigor by the gradual extension of foreign markets, and of late many large establishments have been formed by uniting the small concerns of the independent master workmen of the by-gone days, yet there is little doubt that there has been agreat degeneration in the matter of quality - not, however, by the lack of great experts, but by the absence of the buyers who can distinguish the genuine from imitation. The old Satsuma, Hizen, and Kioto potteries which have been so much valued by the true lovers of art both in Europe and America, are now imitated in scores of kilns all over the country. It is only in very recent times that the potteries of Owari, Mino, and Kaga have become celebrated; and those near Tokio and Yokohama only within the last two decades (66). "Porcelain", says the former American Consul General Van Buren, "are found in nearly all portions of the country, and what is of great economic advantage, the different kinds of the purest and best quality are usually found in close proximity, and in many places near water transportation. I believe in all cases every variety of clay used in the manufacture of pottery is

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66. Ibid, The Japanese potteries are known by the names of the provinces in which they are produced, and for some good notes, see Official Catalogue of the Japanese section, International Exhibition, Philadelphia, 18 6.

found in a natural state. There is no necessity to manufacture the quartzose or fusible clay, as is done in other parts of the world, which adds much to the cost of the ware. It is still more remarkable to find one clay which contains both the fusible and infusible materials in such proportion as to make a light, beautiful, translucent and durable porcelain. I am not aware that such clays are found in any other country." Taking the country as a whole, there are over two hundred and eighty deposits of clay, adapted to the various kinds of pottery, and so vast are these deposits that there can be no possible danger of exhaustion (67). With such an unlimited source of the best clay supply, together with the advantage of chea p and skilled labor, it will not be difficult to place Japan in the foremost rank in the world's market in this important form of industry. The present downward tendency of Japanese art in ceramics, it is to be hoped, will not only be arrested and restored to its former glory by the efficient efforts of the Government, as well as individual art-lovers, but also that art will be improved by proper foreign influence. It would be erroneous, however, to say that Japanese art itself has degenerated. The fact is that the production of Japanese potteries has at present become not qualitative, but quantitative by the sudden extension of foreign markets; while in former times the demand for such artistic

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67. Y. Ono, The Industrial Transition in Japan, American Econ. Ass'n., publ. Vol. P. 61.

works was limited to the privileged classes of the country. In 1900 the export of pottery amounted to 2,471,000 yen, agaisnt 474,000 yen in 1880, which shows an increase of 500 per cent in the course of twenty years. In regard with the other lines of fine arts, the production is localized in certain cities. Kioto, the ancient capital, may be said to be the centre of Japanese arts, and leads all other cities in the manufacture of the silk brocades, bronze works, and cloissonne; while Tokio is famous in lacquer wares, though the producing districts are many - the noted places being Aidzu, Kii, Shizuoka, Hakone, Kaga, and Osaka. Bamboo is of two kinds - the black and the white, and is mainly exported in the form of fishing rods, handles of umbrellas and sticks. Wood and ivory carvings are none the less interetsing, as they are highly artistic products, and the foreign demand has of late years much increased. Let us now enquire what the relative importance of our three main branches of artistic manufacture is. According to the official census of 1899, we get the following table:

	Potteries	Lacquer Wares	Bronze Works
Number of Factories	4,604	4,147	1,238
" " Workmen	19,454	20,373	5,359
Value " Products	5,867,000	5,640,000	1,383,000
" " Exports	2,471,000	1,066,000	

Two broad lines of consideration will be suggested from the above table: the first is relative value of the total products and exports; and the second, the relative number of factories and workmen. In all of the three branches of the artistic manufactures, the preponderant value of home consumption as compared with that of exports shows, tha t our exports of artistic works are still simply the outflow of the surplus products, and that the industries are not yet established for the sake of foreign commerce. In this line of commodities, as in everything else, the difference of race requirements is a drawback,on account of which many, and indeed a greater part of commodities exported from Japan are manufactured specially with that purpose in view. It is, therefore, highly essential to keep the Japanese producers in constant touch with the European patterns and designs. The slow progress of our artistic industries is perhaps owing to this very obstacle in a measure. But the most striking fact is that in all these three industries the relative number of factories and workmen is nearly the same, being about 5 workemn in one factory on an average. Here, as elsewhere, we see thus that the large factories are very few, and that domestic manufacture of a primitive type still holds the greater proportions. In such a stage of production, it is altogether impossible to expect any gratifying expansion of our pottery, laquer and bronze manu-

factures. The steps to be taken at present, therefore, are to consolidate the small concerns into large factories under intelligent management, and to establish constant and free communication all over the countryas regards the conditions of foreign markets, and to adjust the factories to new and altered patterns and designs of both Europe and America.

Non-Artistic Works.

Of the non-artistic works, matches head the list in the order of importance. The manufacture of matches originated in the prisons, and as early as the year 1873 was carried on in the jails of Yokohama The first record of any export appears in the customs returns of 1878 and since then the trade has grown to such large proportions, that the total value of matches exported from Japan in 1900 amounted to 5,760,000 yen (68) Formerly all the matches in China, Siam, and the Straits Settlements were English made, which were in the course of time displaced by Swedish, and the latter have now met in their turn a precisely similar fate by Japanese competition. Here, then, is a trade which rose from nothing to such an important position by successful competition, that it has established more than 270 factories, giving employment to 19,000 persons. "It is perhaps in a match factory", says a British Consul, " that the advantages of cheap labor can best be seen. Osaka and Kobe are the centres of this industry (69), and nearly the whole process is done by hand, and the cost of making matches resolves itself chiefly into a question of wages. It seems to be a close contest between the German machines, and the nimble fingers of Japanese women. I was told, however, that the machine work was not much cheaper. It seems strange that human fingers

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68. British Consular Reports, Annual Series, 1885 and 1896.

69. See the minute and graphic description of the whole process of Japanese match-making, Ibid, Misc. Series, No? 440, 1897.

should be able to place short sticks each in its own niche as cheaply as a machine that disposes of 2,250 splints at one operation; but I was amazed at the celerity of human fingers, and the lightning rapidity and magic pass with which the whole process is done by bright, happy, and contented girls; for the Japanese woman is blessed with a cheerful disposition."

Next in order are the straw plaits and floor matting, and the increase of the exportation of these two commodities is equally remarkable. In 1887 the export of straw-plaits was 350,000 yen , while that of floor matting was only 36,000 yen; and at the end of 1900 the corresponding figures were 4,025,000 yen and 3,310,000 yen respectively. The rapidity with which so many industries and trades have grown up during the last fifteen years is a marked characteristic of Japan's progress, and in order to make it clear in what way they are springing up, let me cite an actual story: "In 1880 a man named Isozaki, of the Okoyama prefecture, carried to Kobe a specimen of a new kind of mat, the outcome of two years' trial and thought. Briefly described, it was a floor-matting with a weft of fine green reeds, and a warp of cotton yarn - having a colored design woven into it. He found difficulty in getting any one to test the saleability of his invention by sending it abroad. Sixteen years later the "brocade matting" industry in Okayama prefecture alone occupied 734 weaving establishments, with 9,085 stands of looms; gave employment to 9,357 artisans, of whom 5,335 were females, and turned out 2½ million yen worth of this pretty floor covering" (70). Through the yearly in-

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70 Japan Travel Britt New Volume 20

crease of demand, which comes chiefly from the United States, the industry has rapidly spread in other prefectures, and the thousands of the beutiful designs and specimens can now be obtained at a moment's notice. The plant used in Japan in the manufacture of matting is a species of rush widely distributed throughout the northern hemisphere (71). But the best rushes of a soft quality are cultivated in a swampy ground in the province of Bizen, Bingo, and Bungo, in the south of Japan, where the manufacture of floor matting is almost entirely carried on.

The same story is told about the straw-braid making, the demand for which comes from England and France as well as from the United States. The first shipments to the latter were made in 1882, and its manufacture was first confined to one district of Omori, situated between Tokio and Yokohama, but since then the trade has grown to such large dimensions that there were in 1899 22,000 factories, employing some 71,000 persons. The straws of exquisite color and fineness are brought to the manufacturing centres from the various sections of the country. According to American Consular Reports the Japanese straw braid has been pronounced by the large dealers in the United States the very finest in use, and is said to have fast taken the place of the celebrated Mackinaw braids, which for so long a time had commanded the highest prices in the market. (72)

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71. Cultivation of Rushes for mats in Japan, American Consular Reports, No. 225, 1899.

72. Straw Braids in Japan, Ibid, No. 49, 1885.

The manufacture of camphor, however, is an old industry, and its export has continued since the opening of the new commerce. The consumption among the natives is very small, and had it not been for the foreign demand there would have been but little expansion of its manufacture. The active extraction of camphor, which is a resinous gum made by the distillation from camphor trees, appears to have begun about in the year 1886, and from that year to 1899, the export of camphor ranged from 1,000,000 yen to 1,932,000 yen, when it suddenly increased to 3,070,000 yen in 1900. It is chiefly exported to Hongkong, the rest being distributed among the United States,England, Germany, and a few other countries. The large groves of camphor trees are found in the provinces of Tosa, Hiuga, and Satsuma; and a greater part is owned by the Government, and is reserved for shipbuilding and other purposes. The wood is also highly prized for furniture and chests. Those owned by private individuals, however, seem to have been fast exhausted, and partly owing to the increase of the cost of production, most of the local manufacturers have of late years suspended work (73). But in Formosa, Japan found one of the best camphor forests, though the exact extent is not yet known. In 1899 the Japanese Government established a grand camphor factory at the capital of Formosa, Taihoku (Taipeh), on a magnificent scale, with the twofold object of increasing the revenue, and of obtaining

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73. Camphor in Japan, American Consular Reports, No. 31, and No.74, 1887; and No. 144, 1892.

a more complete control over the camphor forests, and has placed the manufacture under its control and has made the sale of camphor a monopoly (74). The whole supply of camphor of the world is thus practically controlled by the Japanese Government, by means of Japan's fixing the prices and limiting the maximum amount of annual production. The advisability of such a measure is, however, a matter of dispute, but forms no part of our present considerations. From the very fact that the production of camphor is confined almost exclusively to Japan, there need be little fear of foreign competition for many years to come; though artificial camphor made by chemical means may be substituted for many purposes. The sudden increase of our camphor export in 1900 must be accounted for by this reason.

The manufacture of paper is also an old industry, and like the occupation of weaving, is one of the most widely distributed industries of Japan. Its export was 41,000 yen in 1868; 51,000 in 1878; 224,000 yen in 1888; and from about the year 1893 it has made rapid progress, until it reached 2 million yen in 1900. The paper is made from the best pulp of certain plants known as "Kozu", the cultivation of which is very important to the agricultural interests of several provinces. It is now well-known that Japanese paper is entirely different from that produced in other countries, and is regarded as one of the fabrics which can not be produced by Western skill on account

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74. Camphor Monopoly in Formosa, American Consular Reports, No. 240, 1900. No. 242, 1900.

of the exotic nature of the plants in other zones. Its characteristics are great strength and remarkable pliability, and are adapted for the manufacture of all sorts of Japanese articles. The Paper is made into napkins, handkerchiefs, lanterns, umbrellas, fans, and is used as a substitute for window glass, and is the most suitable and best for fine typographical prints and engravings (75). Among all the different kinds of paper the following are worthy of mention, specially from the point of foreign commerce: rich imitations of leather for wall paper as firm as wood, and much more durable; heavy oil papers which to some extent replace oilcloth; beautifully designed napkins, and tissue copying paper. These valuable papers are shipped largely to the United States, and considerable quantities go also to England and other European countries. Japan is, however, a large importer of foreign machine made printing paper for newspapers, books, and periodicals, which amounted, 1898, to 2,283,000 yen, a value nearly equal to that of the exported paper. The manufacture of

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75. Paper in Japan, American Consular Reports, No. Paper in Foreign Countries, Special Consular Reports, U. S. Vol. XIX, 1900., and see also British Consular Reports, Annual Series, No. 1638, 1895; and for an exceedingly valuable treatise on the Japanese Paper Manufactures and its materials, see Prof. Reins Industries of Japan.

foreign paper in mills was started as early as 1875, but it has not developed in the same rapid manner as other industries introduced. In 1898 there were about 15 mills in operation in Japan, turning out some 40 millions of pounds of printing and book papers, which amount to 2,800,000 yen, if the average price can be estimated at 7 sen per pound, and the amount being thus far short of the requirements of home consumption where the daily and weekly publications of newspapers and periodicals number more than 3,000. It appears from this comparatively slow progress that the manufacture of foreign paper in Japan can not be conducted so profitably as might appear at first sight. As regards the manufacture of home paper, the whole process is done literally by hand, there being absolutely no machinery used. Hence it needs not only patience and time, but an immense amount of skill and very deft handling - and the whole modus operandi is followed in strict adherence to the canons of an art which is as primitive as it is old. It is, therefore, highly desirable that the public attention should sufficiently called to the improvement of production, especially in view of the enormous dimensions of the paper-making industry which employs more than 157,000 persons in 65,000 establishments, with a total output valued at 12,036,000 yen in 1899.

We have now reviewed all the important manufactured commodities of Japan which amount to over one million yen, there being left only the articles which need harily more than a passing note, viz.: the export of drugs, medicines, chemicals, dyes and paints, the total

value of which was in round numbers 2,300,000 yen in 1900. Among the other manufactures, fans, European umbrellas, clocks, toot brushes, hats and shoes, etc. must be specially emphasized - although separate consideration of each of these items is unnecessary, on account of the insignificant quantity exported - with the exception of the first two articles mentioned. The export of fans was 90,000 yen in 1883, while that of European umbrellas was 900 yen in the same year; and the corresponding figures increased to 911,000 and 156,000 yen respectively in 1900. Umbrellas go both to Europe and America, while the clocks are distributed in large quantities in the continental markets of Asia, from Vladivostock through Corea, China, Hongkong, and further Westward to the Straits Settlements and British India. It is most remarkable to notice that the manufacture of most of these lines of commodities was first introduced to Japan from foreign countries, and as such their appearance on the export side of our customs means that Japan is now able to manufacture for herself, and is beginning not to lose a fair opportunity of disposing of her superabundance in the international arena of competition. The stage through which the industry has progressed in Japan, can curiously be traced by the careful study of the customs returns. In 1875, 212,000 foreign umbrellas were imported, and in 1886 they had entirely disappeared from the list while on the other hand the import of Italian cloth and iron wire from which the umbrella is made showed an enormous increase. Japan is still dependent for the supply of umbrella ribs upon foreign countries, and in the case of clocks and watches the entire apparatus

can be made in the country, with the exception of the springs. In other words, the mineral industry of Japan is still in an embryo stage, the consideration of which will be given later on the import side of our foreign commerce.

5. Marine Products.

The export of marine products is exclusively confined to China, Hongkong and Corea, the total value of which was 5 million yen in 1899. Of a great many varieties of fish and sea-weeds, the most important one is the cuttle fish, the annual export of which amounts generally to more than 1 million yen. The insular character of Japan doubtless affords opportunity for great expansion of the fishing industry. She has 17,000 miles of coast, and 270,000 families engaged in fishing, or at the rate of more than 15 families per mile along the coast. They employ 330,000 boats and 1,194,000 nets (76), representing a capital of about 30 million yen, and the total value of the catch was estimated at 39 million yen in 1899 - though the statistics on this subject are far from being accurate, there being, for example, a direct export from the open sea to Corea without landing them at the ports of Japan. Here as elsewhere there have not yet been made any improvements in their method of fishing, and the primitive types of nets and hooks still survive. Greater care must also be taken in the process of curing and packing. A high reputation of Japanese marine products and consequent increase of demand depend not merely on the kind and quality of fish, but upon their mode of curing as well

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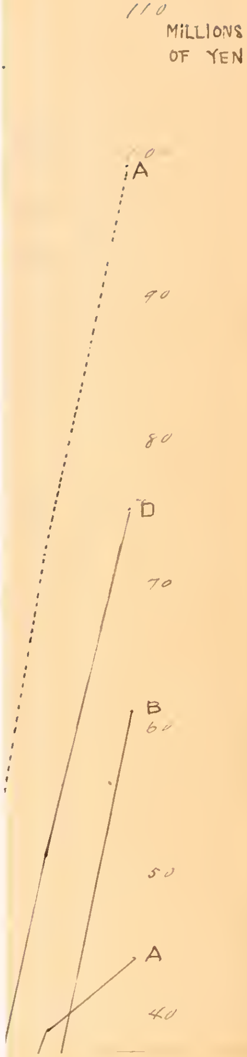
76. Japan, Encycl. Britt. New Vol. 29.

In this connection special attention must be called to Hokkaido, the northernmost island, and the Eldorado of Japan. Steady and even rapid as the increase of population has been by the energetic colonization-policy of the Government during the past thirty years, yet the number of inhabitants is still so small that there are only 15 persons to the square mile, and can by no means be considered as adequate to the proper development of the immense resources of the island. Besides the vast deposits of mineral wealth, the island yields annually an enormous quantity of marine products, the total value of which at present is much larger than that of the agricultural and mining products taken together - herring, salmon, trout, sardines, pilchard, sea-weeds, otter and seals. These teeming fisheries, though of late years greatly developed, are yet far below the condition in the main island, and need much more energetic hands, and a larger scale of operation.

FOLD OUT



Imports

Our foreign trade is, to a great extent, an elaborate machinery for supplying us with textiles. Of the 287 million-yen-worth of the goods which we import, at least 117 million-yen-worth is textile goods, and 53 million-yen-worth is of food-stuffs, while the balance consists of mineral products and other manufactured goods.

The principal articles of imports can conveniently be divided into two classes though there is no real distinction between them: those which Japan can not still manufacture, including those goods which could not be produced in the country, and those which Japan is advantageously depending upon foreign land in spite of the fact that she could produce sufficient to meet home demand. In the first class~~s~~, there are:-

Cotton and woolen manufactures[77]	47 mil. of yen

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[77] The chief articles among them are shirtings and cotton prints, mousseline, woolen and worsted cloths, cotton satins and velvets, and Italian cloths.

Cotton yarn	7 mil. of yen.
Wool	4 "
Iron and steel works	33 "
Steamships, locomotive-engines and watches	6 "
Petroleum	14 "
Indigo and oil-cake	10 "

Again, those articles above-mentioned fall into the two classes;---textile manufactures and mineral products.

1---Textile Manufactures

In the manufacture of textiles, Japan suffered a sudden depression when the country was thrown open to foreign commerce. For several decades, home manufacture had to compete constantly with the extraordinarily cheap cotton and wool stuffs of Manchester.[78]

Here we have to make a distinction between cotton and woollen fabrics; for the latter were unknown in Japanese market before

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[78] Rein, " Industries of Japan," p. 381.

the days of foreign trade. Let us now consider these in order.

While the cotton-spinning industry made a most phenomenal progress, the use of power-machine in weaving is as yet insignificant, and the annual amount of Japan's import of textile manufactures bears such an enormous proportion. The reason can readily be found in the difference of the comparative cost of production between hand labor and machinery which is so conspicuous in the case of spinning industry, while in weaving the advantages of modern machinery are hardly so great as to invite such a sudden introduction.[79] From the comparative number of looms and hands in Japan,[80] we can well infer that the use of power-looms is almost next to nothing, and the old methods of production still control this industry. With the growing demand for

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[79] See " Textile Industry of Japan," U.S. Consular Reports, No. 224, 1899.

[80] In 1899, there were 741,000 hand looms in use, employing some 820,000 of weavers, excluding those looms in private houses which are used merely for domestic use and home consumption.

fine and smooth fabrics, it is to be hoped that the old system of domestic manufacture will soon give way to the factory, and hand-looms be superseded by power-looms.

In spite of the progress made recently in spinning industry, the import of cotton yarns still occupys a place in the front rank. All these are, however, the higher counts of Lancashire yarns. The direction hitherto pursued by Japanese spinners was towards those coarser yarns that have been procured from abroad, and the progress made in this direction was nothing short of the complete ejection of Indian yarns from home market which took place most noticeably since 1893.[81] Attempts are lately being made by a few mills to spin an excellent quality of twist from Egyptian cotton, and thus to check the importation of English yarns and though thier " gassing " and " finishing " at present leave something to be desired, there is no doubt that in time these defects will be successfully overcome.[82]

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[81] See J. Morris, " Japan and its Trade," p. 25.

[82] The British Consular Reports, annual series, 1899.

Another textile is the woollen fabrics, the import of which has necessarily increased year after year with the growing fashion and spread of European customs and manners. Formerly the woollen cloths were unknown to the Japanese, but at present even the conservative sex is adopting them, and the annual import of mousseline de laine which is said to be an unsurpassed material for women's dresses in a climate like that of Japan is quite considerable.[83] The import of blankets which was at one time large for the use of the army and navy has recently dwindled to a very small quantity, and the native factories now seem to be able to turn out sufficient amount for home consumption. But the industry is quite modern to Japan and the factories are still few in number,

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[83] Morris, " Japan and its Trade," p. 43. In 1900, the import of this article amounted to 7 million yen in value. " It was for the purpose of supplying this demand that three factories for the manufacture of this special fabric were established since the termination of the war. The shops employ about 1,300 operatives."---" Mousseline de Laine and Ribbon Making in Japan,"

turning out only about 13 per cent.[84] of the woollen textiles used in the country. It thus appears that in the manufacture of woollen goods, as is the case with cotton yarns, the progress thus far made is only the lower grades of fabrics such as blankets, travelling-rugs, shawls, etc., which were initiated and still operated by the Government.

But the steady increase of the import of raw material affords an excellent criterion of the robust health in which this industry is growing up. Japan is, however, dependent for the entire supply of raw wool on foreign countries. Several attempts have been made by the Government upon its experimental farms to introduce sheep-rearing and breeding, but, owing to the pecurialities of the climate and pasturage of the country, such efforts have been almost invariably attended with failure.[86] Hence, all the

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[84] U.S. Consular Reports, No. 225.

[85] Ibid, No. 224

[86] But Rein doubts the unfitness of the soil, and says " in view of the fact that sheep-raising succeeds best in countries

material are imported from China, Australia, and Great Britain.

Such being the case, our conclusion with respect to the import of textile manufactures is not difficult to be arrived at. In the first place, the import of raw material---both wool and cotton ---will necessarily increase in a larger proportion with the growth of textile industry; for cotton is already being imported, not so much for home consumption, but largely to be exported in the form of yarns. As regards foreign cotton fabrics, the tendency will be rather to decline instead of increasing. Owing to the peculiarity of tastes, it has always been impossible for foreign manufacturers to invade the Japanese market to any considerable extent. It has been only where uniformity and smoothness are demanded in fabrics that a combination of Western skill and capital has manifested itself in successful competition. For years past, the import of cotton satins and velvets, shirtings and cotton

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with a dry climate, the chief obstacle to it in Japan is more likely to be in the damp atmosphere and frequent summer rain."---Rein, The Industries of Japan, p. 184.

prints has been on the steady increase; but it is not unlikely that in no long time Japan will be able to produce these commodities. Attempts are lately being made vigorously to adopt modern weaving machines by the Government as well as by the public in general.[87] On the other hand, however, the import of woollen fabrics seems to continue to increase yearly with growing demand; for the woollen industry in Japan is in its very incipient stage and as such it will necessarily involve a considerable length of period to train the workmen to acquire technical knowledge and skill.

2---Mineral Products

Among the varied iron manufactures which Japan imports, the chief articles are the materials for railway and bridge constructions,

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[87] An expert from the Department of Agriculture and Commerce was recently sent to America, Lyons in France, and Zurich in Switzerland to buy the weaving machines. All these machines were loaned to the model weaving factories and schools,---" Weaving Machinery for Japan"U.S. Consular Reports, May, 1903.

locomotive-engines, the various kinds of machinery, and nails. Speaking generally, Japan may be regarded to be relying for nearly the whole supply along this line upon foreign countries.

There are at present no less than 1,200 locomotives[88] in Japan, including all the kinds, out of which only 15[89] were made in the country, the rest being ordered from Great Britain, the United States and from Germany to a small extent. It is so with rails, only a very small fraction of which has lately been furnished by the Government Iron Foundry.[90] Only one iron-nail factory founded

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[88] See " Progress of Japanese Railway Enterprises," U. S. Consular Reports, No. 269.

[89] The British Consular Reports, annual series, 1900. " The first locomotive made in Japan ran on April 26, 1893, with perfect success, lowness in consumption of coal, good hauling capacity and steadiness and the cost was cheaper," ibid, 1897.

[90] " It commenced operations in 1900. Twelve Germans are employed and all the machinery for use there came from Germany. When completed it is expected to give employment to 1,500 or

in 1897 has grown up to a dimension that its present output amounts to about one-third of the quantity imported.[91]

But in certain kinds of machinery, the Japanese artizans being quick to imitate, used to take advantage of the non-protection of foreign patents, and succeeded to copy many mechanical appliances, often producing a machine which, for given work, excels any to be found in the world. In no small credit to the nation, the shipbuilding industry in Japan has made a most remarkable development, and although the Japanese builders have quite enough to do for the present to meet the home demand, yet they will not fail in the near future to enter as a young rival even against the great ship-building concerns of the West.[92]

1,600 workmen and to engage in the manufacture of rails and sheet-iron,"---The British Consular Reports, annual series, 1900.

[91] See " Iron-nail Trade in Japan,"---U. S. Consular Reports, No. 225.

[92] See " Shipbuilding in Japan," ibid, No. 263.

Thus here, as elsewhere, we find that many new industries are growing up one after another in a most healthy and prosperous condition. Let us consider briefly what will be Japan's future demand and supply along this line of iron manufactures. There is no doubt that with the progress of the nation itself, the demand for the various kinds of iron works will necessarily increase in a greater proportion than anything else. Take railway, for example, over two thousands of miles are still under a plan of construction. Steel which is the framework of modern industries can not yet be produced in the country satisfactorily, not to say sufficiently. One of the most important questions which the Government found itself when it established recently an iron foundry ---which so far proved a failure---is the future supply of iron ore. Iron mines, believed to be rich,[93] are very doubtful or at least,

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[93] " Throughout Japan, iron is found imbedded in granite and calcareous rocks. The total supply, visible in Rikuzen, Akita, and Echigo is over 30,000,000 tons and fresh discoveries of ore are of daily occurrence,"---The British Consular Reports, annual series, 1893.

still imperfectly developed owing to the lack of capital and experience. Its annual production being limited, Japan is going to rely for the supply of ore upon the rich Hanyang iron mines in China.[94]

Another difficulty is the lack of experience among the workmen. Japan had heretofore no " industrial class " in the modern sense of the word, and a considerable length of period will necessarily be involved to train the workmen and to overcome mechanical difficulties. The industrial success of so extensive a nature depends, not upon the skill of a few master-workmen, but upon the universal spread of technical knowledge, sense and energy among the common laborers.

Viewed from these points, we can fairly conclude that the import of mineral products will steadily increase year after year for a considerable period to come. Besides these, the import of petroleum amounts to a considerable quantity, its production in

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[94] See " Chinese Iron Ore for Japan,"---U. S. Consular Reports, No. 265.

Japan being limited.[95] Its demand is lately increasing enormously not only for lighting and heating purposes, but for preserving the cultivated areas from the ravages of insects, kerosene thus taking the place of camphor, which had been extensively used in this way from ancient times.[96]

Oil-cake and indigo are none the less important articles of Japanese import: the former is the bean refuse left after the oil has been extracted from the beans grown in Manchuria, and is said to be an unequalled fertilizer. It is being imported with increasing quantity. The dry indigo is nearly supplyed by British India, a small fraction of which being imported from Dutch India and the Philippine Islands.

Having thus reviewed the important articles of textiles and metal manufactures, we now come to those commodities which Japan

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[95] See " Petroleum Production in Japan,"---U. S. Consular Reports, Nos. 237, 239.

[96] J. Morris," Japan and its Trade," p. 30.

is advantageously depending upon foreign countries in spite of the fact that she could produce sufficient to meet the home demand. These are, in short, the following agricultural products:-

Raw cotton	60 mil. of yen.
Sugar	27 "
Rice	9 "
Beans, peas, & pulse	5 "
Flour	4 "

3---Agricultural Products

The quantity of the agricultural products which we thus import measures the benefits of our foreign trade and it also affords a criterion by which we can measure how the territorial division of industry is impelling the country to produce that for which Japan is most suited.

Taking these in order;---cotton in Japan is widely cultivated throughout the middle and southern part of the country. It is, however, not a native of Japan, but a stranger introduced from India by the votaries of the Buddhist religion many centuries ago, as such it is ill-suited to the soil of the country, the plant

being dwarfish and its bolls being too small and too weak to be spun by power-machine.[97]

It is perhaps in the matter of cotton cultivation that the agricultural interests of Japan have suffered most onerously, and are threatened with extinction by a sudden and enormous importation of foreign staple. In 1887, the cotton-producing area of the country was 98,000,000 cho which decreased to 58,000,000 cho in 1899, while the annual production of cotton shows a falling-off of more than 400 per cent. in the corresponding years; viz., from 148,000,000 kin to 32,000,000 kin. Thus here, we meet for the first time with a remarkable force of foreign trade which is steadily working over the agricultural conditions of the country. But the further consideration on this point will be better deferred until we have made a general survey on all the important articles of agricultural imports.

The import of raw cotton will necessarily increase year after

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[97] See " On Cotton in Japan," Trans. of Asiatic Soc. of Japan, Vol., IV, p. 145.

year with the growth of the spinning industry. British India was from 1895 to 1900 the main source of supply, but the United States then took first place. China ceased to occupy the premier position in this respect in 1895. But America always ranked high, and occupied the second place in 1898, China then holding the third.

The next article to be considered is sugar, the importation of which is increasing in an enormous quantity in proportion as the standard of living advances, a phenomenon especially marked since the late war with China. Its universal consumption, however, may be regarded as a sign of the prosperity of the country.

The annual production of sugar in Japan, exclusive of Formosa, is reported at a little less than 4,000 tons, almost a negligible quantity in view of the importation of 152,000 tons of raw sugar and 176,000 tons of refined.[98] The industry receives no direct aid from the Government, and has been very unfavorably affected by

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[98] "Sugar Refining in Japan," U. S. Consular Reports, No. 272.

the bounty system in vogue in Europe.[100] / ?

It is mainly from Hongkong that Japan draws its supplies of refined sugar, though Germany is a strong competitor; and recently another extensive producer has entered the lists---viz., Australia. According to an examination recently made, the per capita consumption of sugar in Japan is only some 8 pounds per annum, while in the United States it is 37 pounds and in Europe 18 pounds on an average. In view of these figures, it is evident that the demand in Japan will augment still further.[100]

The import of rice fluctuates violently according to a bad or good year of crops. The extraordinary increase in 1898 in the import of this staple which amounted to 48 million yen was occasioned by a marked diminution in the national crops for 1897. The abundance of the crop in the subsequent years, on the other hand, caused the import to fall suddenly back to normal dimensions amounting to 9 million yen in 1900.

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[99] Ibid.

[100] " Sugar Trade in Japan," U. S. Consular Reports, No. 213.

But there is annually a despatch of small portion of Japanese rice to foreign countries, where it commands a comparatively high price on account of the high rank of its quality. The increasing volume of this export is bound to occasion a corresponding demand for foreign staple of a cheaper article chiefly from British India, Siam, Saigon and Corea to make up the deficiency so caused. It appears, however, that of late years the Japanese crops, apart from this consideration, would scarcely have sufficed, under even the most favorable circumstances, to feed the rapidly-growing population.

Besides these articles just considered, peas, beans, and flour are worthy of mention. Beans and peas are, for the most part, used in the manufacture of " soy " that is so largely consumed by the people as the universal sauce, and also in the place of salt. The steady increase of the importation of foreign flour can not also be overlooked which tells that Japan is more and more depending for the supply of food-stuffs upon foreign countries.

Any adequate discussion on the agricultural interests of the country would need a chapter itself nor it is necessary for our

present purpose; all that is needed here is to sum up their tendency in view of foreign trade.

There are two forces at work---one from within and the other from without---which are affecting much and variously the agricultural conditions of the country, one of which relates to the rapidly-growing population. An allusion has already been made to the fact that Japan has almost reached the potential maximum in her production of rice,[101] and that of late years, even under the most favorable circumstances, the Japanese crops would never have sufficed to feed the growing population without the importation of foreign staple. Every inch of the arable land has been brought

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[101] Production of cereals in Japan

	Bushels
Rice*	197,951,000
Wheat	20,238,000
Barley	42,036,000
Rye	33,020,000

* Second only to India in the production of this crop.

under the cultivation by the labors of many centuries, and even the mountains are quite often cultivated to their highest summits, laboriously carrying up the manure on the human shoulders. Under these circumstances, there is at present no prospect for any large extension of cultivable soil with the exception of Hokkaido, the northernmost island of Japan, a greater part of which remains still intact. Whether primitive or not in the method of production, the Japanese farmer understands his work so thoroughly that, by the elaborate means of irrigation and the skilful use of fertilizers, he has been able to turn out the rich harvests on the same land during fifteen or twenty centuries. It will be thus inferred that any agrarian improvements in more scientific process of intensive cultivation would hardly increase the total output to any appreciable amount. And especially in view of the fact that the population in Japan is increasing at the rate of 400,000 souls per annum, it is quite evident that in no long time she will be compelled to rely her means of subsistence upon the foreign land.

Agriculture, however, is still the fundamental basis of Japan's prosperity, and is in reality the life of the nation.

It is to this industry that the country owes its ability to pay its way, and but for the existence of the peasant farmer---who, by a more or less cheerful acquiescence in the imposition of a heavy land tax, made it practicable for the newly-formed Cental Government to carry on the task of administration on a Western model---it is difficult to see where the money could have been found for the consummation of vast a change of system as that which the world has witnessed during the last thirty years.

But there has lately been going on a constant shifting of populace from agriculture to manufacturing industry. The Japanese farmers toil hard throughout the year, but their profits are very small compared with those of other businesses.[102] The

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[102] " According to statistics, the total debt of the farming class at present amounts to about 600,000,000 yen, two-third of which is the result of the easier life led by the generality of farmers, the better food, clothing and housing. This capital is unproductively employed, while the remaining 200,000,000 yen goes to the fund for the improvement of the agricultural industry.

question has recently been much discussed by a section of the public with the view of fostering the agricultural resources of the country but it seems that there is no immediate and practicable means of improvements. Here we find the external force of foreign trade which is steadily working to make the country to produce that for which it is most suited, shifting constantly labor and capital to more remunerative industries.

Of course, we could produce cotton, sugar, rice, peas, beans, and flour sufficient to meet the home demand; but the proof of the benefits of importing them is twofold. In the first place, no one will buy foreign staple if he can obtain it at a lower price of home growth; hence, the fact that it is bought proves the existence of advantage. Secondly, no foreigner will send us goods unless he can obtain from Japan or Japan's debtors produce which he prefers to that of his own growth; in which case it follows that our laborers are engaged in some occupation more advantageous both to us and our customers than those in question.[t-3]

[t-3] The interest paid by farmers is abnormally high, ranging from 15

We thus see that, from the point of view of economy in purchasing food, as a nation we have reason to be glad that the farmers are constantly forsaking their holdings for other business; it means that there is an increase of employment in other occupations created largely by foreign demand, and also that the price of rice is falling through the importation of a cheaper foreign staple. In a like manner, the diminution of the cotton and sugar-growing areas in Japan is made up by the corresponding increase of the mulberry orchards. The result is net gain pecuniarily to the

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to 30 per cent per annum, and there is little prospect of repayment, as the profits are small.---------For this reason, the improvement of farms is entirely out of the question. The small tenant farmers are rapidly forsaking their holdings for other business, and tenant farmers in Hiroshima and Yamaguchi prefectures, where the agricultural land is largely owned by a few rich farmers, are steadily leaving for abroad,"---" Agricultural Industry in Japan," U. S. Consular Reports, No. 269.

country as a whole; work is applied in directions which give the greatest return. According to an investigation made recently, the Chinese rice can be imported to Japan from Shanghai at half a price that is at present prevailing in the latter, including the cost of transportation and commissions; and but for the existence of the Chinese corn law which prohibits any exportation of rice, Japanese agriculture would have been attacked much more rapidly and seriously. The competition of China, where the vast tract of land is still left uncultivated, and where the price of rice is so cheap must be expected sooner or later; and then the fall of the price of Japanese rice will set in, and a series of agricultural changes will take place. It is, however, no part of the present paper to deal with its probable economic effect on the landlords and farmers, and the social effect on the country as a whole which would subsequently take place by the migration of labor from the country to the city.

Chapter 111

Geographical Distribution of Japan's Foreign Commerce

1---Change in Distribution

It is only within comparatively recent years that the foreign commerce of Japan began to be co-extensive with the world. Until about 1886, the trade of Japan was confined almost exclusively to only five countries, viz., England, the United States, China, France and Germany, in the order enumerated. In the import trade, England led with a preponderance of 53 per cent. in 1880, China followed with 15 per cent., and then came, in order, France and the United States with its respective percentage of 10 and 7, and finally Germany with 4 per cent. In the same year, our export to the United States constituted 42 per cent., and that to China, France, and England was 22 per cent., 19 per cent., and 9 per cent., each, while our exports to Germany were of insignificant figures. In other words, the import trade of Japan was with England and Germany, while the export trade was with the United

States and France, our trade with China maintaining its fair balance.

This state of distribution was established by two causes, one of which relates to that great commercial movement which culminated in the years immediately following to the opening of the Suez Canal in 1869. The period (1869-1873) is characterized as the meridian of England's commercial prosperity and expansion in the 19th century. Up to the eighties, no other Powers had entered upon such a sharp competition with England in the Far Eastern trade as in the present day. The internal condition of affairs incident to the Franco-German War retarded the belligerent from taking an active part in commercial exploitation in the far distant region. Meanwhile, the United States was in a decidedly disadvantageous position, there being no direct transport facilities prior to 1886. Hence, most of the commodities sent from the States to Japan came by way of the Suez Canal, taking sixty days.

The account must also be taken for the influence of the mechanism of trade,---the banking relations and the merchant marine.

The conquest of Japanese market by English merchants was largely due to these instrumentalities. As late as 1890, over one-half of Japan's foreign trade was carried on by the English vessels under the English flag. Another influence was the financial aid, by means of which the Englishmen secured the vantage-ground over other nations in the matter of large contracts for internal improvements such as railway for instance. Under these circumstances, it is quite natural that our import trade up to about 1886 was chiefly with England.

The second cause which established this state of distribution relates to the character of Japanese exports. It is the well-established principle that foreign commerce is not one-sided bargain, for the payment of our imports must be ultimately made, not by money, but by goods, although the destinations of Japanese goods are not necessarily the countries from where we imported. Hence,Japan exported tea and silk,---the former exclusively to the United States, while some portion of the latter was sent to France with which our indebtedness to England and Germany was paid for. This accounts for the reason why the balance of our

trade with the United States and France was so favorable.

Geographically, Japanese trade would seem to have begun, in the first instance, with the Asiatic countries, but there were hardly any commercial transactions with these countries except China during the period of which we are speaking. The prime cause of this lies in the fact that very few of the Japanese ventured in the commercial enterprises abroad, the nearly whole business of both exports and imports being carried through the intermediary service of foreign merchants resident in the treaty ports. It was by the Chinese that our trade with the neighboring countries was established and handled. Without going too far into details, let us suffice ourselves to say that the extent of market during the period was limited not only by the smallness of the volume of trade, but also by this very reason that there were not many varieties of commodities, the bulk of our exports consisting only of the two items of natural products;---tea and raw silk.

But within the last decade, there has been a remarkable change in Japanese economic life. Up to 1886, the industrial Japan had busied itself to lay the foundation for the nation's material progress. The construction of railway, steamships, and harbors,

the establishment of postal and telegraphic communications, and the organization of joint-stock companies, or in short, the change from local to national economy were the chief concerns. But when the internal condition of affairs had become somewhat orderly, and when the inviting fields of foreign market had gradually become known, public attention had to be paid more and more on the external side of commercial relations rather than to the domestic trade. Many new industries have thus sprung up one after another. The territorial division of labor has gradually been ushered in all the directions of the country to produce that for which Japan is most suited. It is this development that has brought about the change in the character of Japanese trade. From natural products to textile goods, and then to the other forms of manufacture is the line of evolution, as has been traced in the preceding chapters, along which the foreign commerce of Japan has developed during the last decade.

The logical consequence of this lies in the change of the geographical distribution of trade. The suddenness with which this change has taken place is conspicuous, and the entire

perspective of Japanese commercial relations is now in the state of transition.[103] When we conceive that this is a part of the broad commercial movement of the world at large as well as the change in the tide of Japanese trade, nothing will be more suggessive than a strange light which has presented itself in the recent change in the geographical distribution of Japan's foreign

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[103] IMPORTS (in percentage)

Year	China	England	France	Germany	U. S.	All the Other
1873	35	42	8	7	3	5
1880	15	53	10	4	7	11
1890	10	32	4	8	8	38
1900	10	24	2	10	21	33

EXPORTS (in percentage)

Year	China	England	France	Germany	U. S.	All the Other
1873	22	23	16	--	19	20
1880	22	9	19	--	42	8
1890	9	9	14	--	35	33
1900	14	4	9	1	25	48

commerce. Viewed in this light, the significant features are (1) the relative decrease of Japan's imports from England, (2) the heavy increase of German trade and (3) of American goods, and (4) the expansion of our market in the Asiatic countries.

Without doubt, England is losing trade.[104] The decrease from 53 per cent. of her share in 1880 to 24 per cent. in 1900 is simply enormous. If, however, merely the relative ratio is accepted as an index, the result will be quite misleading; for the total value of our imports from England increased from 19,000,000 yen to 71,000,000 yen in the corresponding years. Again, the recent rapid growth of our trade with the British possessions must also be taken into account. Yet in the main, it is the matter of fact that the wares of Manchester and Birmingham have greatly

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[104] " It is indeed true that the English have lost commerce relatively and even absolutely in a number of their possessions and protectorates, including Canada, Egypt, and even India."---Reinsch, World Politics, p. 34 See, Farrer, " Does Trade follow the Flag ?" Contemporary Review, December, 1898.

been superceded of late years. This is particularly true in the line of iron works. When England was alone in the field, Japan was commercially dependent upon her for the nearly whole supply of modern manufactures; but with the growing competition, the matter has changed and we find that our imports from Germany and the United States are increasing rapidly.

The great stride with which the Germans are lately gaining everywhere is quite a familiar fact;[105]---particularly in South America and also in China since their acquisition of " a sphere of influence," together with industrial concessions therein.

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[105] For comprehensive survey, see Reinsch, *World Politics*, p. 261.

In 1900, German interests in China and Japan are reported to be no less than $ 90,000,000 in value. In Japan alone, there are sixty-five German warehouses doing business with an aggregate capital of $ 5,000,000. German industrial enterprises in Japan are valued at $ 3,000,000, and German interests in Formosa at $ 1,500,000.---German Commercial Interests in China and Japan, *U. S. Consular Reports*, No. 239

Japan's imports from Germany increased nearly 490 per cent. within the last decade, that is, from 6,000,000 yen in 1890 to 29,000,000 yen in 1900. As compared with that of England, the share of Germany does not thus amount even to one-half of the former. Yet, the German merchants are most prosperous and energetic, and more and more of the English trade in Japan is passing into the hands of the Germans.

It is, however, the American goods that has made the most remarkable advance. This competition of the United States began in 1896. In the previous year, the total value of Japan's imports from the United States was only 9,000,000 yen which increased at a bound to the enormous sum of 62,000,000 yen in 1900. Such a sudden increase, however, is largely due to raw cotton, though the manufactured goods also increased at an equal pace. The chief cause of this American competition has been attributed to the industrial depression in the States which ensued at the close of the prosperous period in 1894. " The depression brought about an era of economy and stimulated the development of labor-saving machinery and appliances of every description, and

by their adoption the American maker has been able not only to meet the lower prices offerd to him by his own country men, but in many cases to create demand abroad by selling his surplus at cost price and thus freeing the home market from any excess. Another point is the development of the direct steamship lines from New York, whereas goods were formerly sent to Liverpool or London for transhipment to Japan."[106] And still another point which is often overlooked is the fact that in case of large orders, the industrial capacity of a country to meet these orders in the prescribed time is sometimes more important than the prices offered. It is perhaps in this respect of quick delivery more than anything else that the American manufacturers have a great advantage..

Next to be considered is the recent sudden increase of Japanese exports to the Asiatic countries. Among them, the most important countries are:-

	1890	1900
Hongkong	9,000,000 yen	39,000,000 yen

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[106] *British Consular Reports*, annual series, 1896.

China	5,000,000	"	31,000,000	"
British India	500,000	"	8,000,000	"
Corea	1,000,000	"	9,000,000	"

It will be thus observed that the increase is so remarkable, ranging from fourfold to sixteenfold in case of India. This increase was primarily due to the industrial development of Japan. The hope had been entertained that these countries would prove excellent markets for Japan's surplus products, and success encouraged the hope that manufacture for export could become a source of national wealth. It is indeed in these markets that Japan has begun to compete successfully with European and American goods. Her geographical situation, together with the racial affinity and transport facilities, is affording an ample advantage for the effectual and permanent fostering of commercial relations.

2---Present Situation

Having thus reviewed briefly the most important changes which have affected Japan's foreign commerce, we have now arrived at a point where we can properly view its present situation. It is of the highest importance to ascertain clearly how far these changes have actually taken place through the recent industrial development of the country, and what is the nature of distribution; for the permanence or the further changes of Japan's commercial relations depend entirely upon it. It has vaguely been reported that England's day is over, and the Japanese competition

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" Correspondents of the leading London journals have done so, and an Australian statesman, who recently visited Japan with the special purpose of enquiring into her commercial and industrial prospects, did not hesitate in conversation that England's day as a manufacturer for the far East, if not even for Australia, was over, and that she must be prepared to give way all along the line to her rising rival."---British Consular Reports, annual series, 1896.

has recently been presented to the American public in such an alarm that Japan might inundate the American market with cheap watches and bicycles.[109] Of course, Japan may become a formidable if not a successful competitor one of these days. But the day is still distant. It is, therefore, essential to see how far and in what direction Japanese competition has heretofore been carried on, and also to note clearly the nature and differences of its geographical distribution. In so doing, it will be convenient to group the distribution of Japan's foreign commerce into the three grand divisions; viz., Asia, Europe, and America.

In the preceding section, it has been noted that the rapidity with which the Japanese trade with the Asiatic countries has increased during the last decade is unpreceded, and also that the prime cause of this startling development is the recent change in

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[107] General Survey of the World's Commerce in 1900, U.S. Consular Reports. See R. P. Porter, " Is Japanese Competition a Myth?" North American Review, No. 163, 1896, and also B. Moses, " Economic Situation in Japan," Journal of Political Economy, No. 6, 1896.

Japanese economic life. Let us now consider how far these economic changes are actually reflected upon the commercial relations with the Asiatic countries. The following table shows the present state of distribution:-

	Exports	Imports
China	31,372,000 yen	29,961,000 yen
Hongkong	39,177,000 "	10,660,000 "
British India	8,704,000 "	23,576,000 "
Corea	9,953,000 "	8,306,000 "
All the Rest[108]	5,512,000 "	16,857,000 "
Total	95,018,000 "	89,360,000 "

Thus, the first lesson of the table is an exceedingly adverse condition of trade with the British India, and with those countries which we grouped in the last figures, while the trade with Hongkong

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[108] Russian Asia, Anam and other French India, Philippine Islands, and Siam.

shows an exceedingly favorable balance, and secondly, with the exception of China and Hongkong our trade with Asiatic countries is still of the insignicant figures.

We will briefly consider the meaning of these figures:---an unfavorable balance of trade with British India is chiefly due to raw cotton, that with the Philippine Islands to hemp and sugar, and that with the French India to rice, while an exceedingly favorable condition of trade with Hongkong is mainly owing to our exportation of cotton yarns, coal, copper, and matches. Thus divided in the broadest line, in spite all changes, our commercial relation with Asiatic countries may be regarded as the division of industry into the latter producing raw materials, Japan manufacturing them. Our imports from China and Corea also consist largely of agricultural products.

It is in this respect of commercial relation by which we can see most clearly that Japan is striving, pressed by the rapidly-growing population, to seek the means of livelihood in industrial development rather than agricultural resources. But from the very fact that with the exception of China and Hongkong our trade

is still limited, it can be seen that this process of transforming Japan into a manufacturing country is in its very incipient stage. Japan's endeaeevour in this direction is to supply with two classes of merchandise; first, such articles as Japan already manufactures for her own use, and secondly, articles imitated from foreign patterns and designs, which are already in demand in Asiatic countries. To those semi-civilized peoples who are satisfied with cheap and inferior commodities, it will not be difficult to ensure commercial supremacy which is the avowed ambition of Japan.

Japan's commercial relations with European countries stand at present as follows:-

	Exports	Imports
Great Britain	11,262,000 yen	71,638,000 yen
Germany	3,556,000 "	29,200,000 "
France	19,150,000 "	8,095,000 "
Belgium	297,000 "	7,949,000 "
Italy	7,129,000 "	450,000 "
All the Rest	1,456,000 "	9,062,000 "
	42,853,000 "	126,393,000 "

There are thus two points to be observed: the first is a great difference between exports and imports; and the second is an exceedingly favorable balance of trade with France and Italy, the former is due to our importation of cotton and woollen fabrics, and iron manufactures, while the latter is owing to our export of raw silk. It is true that numerous foundries are lately in active work in many parts of the country, and the Japanese are becoming independent of foreign countries for simpler forms of machinery. But it has to be remembered that unlike many other ruder forms of articles which need not much skill, machinery and such other iron manufactures can not so successfully be imitated; for it depends, not on the skill of a few master-workmen, but on the universal spread of mechanical knowledge and skill among the common laborers. There are some among the leading men of Japan who are sanguine enough to forsee the time when Japan will supply the markets of Europe with articles of European type, but such a consideration is for the presentout of question. Japan's policy in this direction for the more civilized countries of Europe and America, has been to reserve her special productions in which she excels other

countries, such as silk, tea, artistic manufactures, and articles requiring great expertness of fingers. Where artistic skill and hand labor play a large part, Japan has always been successful in competition in European markets. It will be, therefore, in these lines of commodities that our immediate expansion of the Western markets be expected, while our imports of iron manufactures will increase steadily with the progress of the nation itself.

As regards our trade with America, the present state is as follows:-

	Exports	Imports
The United States	52,566,000 yen	62,761,000 yen
All the Rest	2,987,000 "	329,000 "
	55,553,000 "	63,090,000 "

Until 1899, the balance of trade with the United States was always favorable; but in the following year a change has taken place, and we are importing more and more from there than we are exporting thereto. The principal articles which we import from the United States consist of raw cotton, iron manufactures,

flour, etc., while the chief articles of our exports are raw silk, silk fabrics, tea, and floor-matting.

It will be thus observed that the commercial relations of Japan with Asia, Europe and America are different one from another in its character, and aslo in its dimension. Speaking generally, the export trade of Japan with Europe and America consists of her special products of which the demand for tea and floor-matting comes exclusively from the United States, while that with Asia consists chiefly of those commodities which were at one time the important items of Japan's imports such as cotton yarns, matches, umbrellas, etc., if we make an exception of coal and copper. In regard with the import trade, Japan is still dependent for the supply of the various kinds of modern manufactureson Europe and America, and especially for the supply of machinery, while she is depending for the supply of raw materials and foodstuffs on Asia, and to a great extent on the United States.

The further change of Japan's commercial relations depends upon the industrial development of the country. During the last decade, both exports to and imports from European countries

have been decreasing, relatively, while the imports from the United States show a remarkable increase. It is, however, in the trade with Asiatic countries that the most remarkable feature is presenting itself, and the whole tide of Japanese trade now seems to move more and more towards the eastern shores of continental Asia, namely, Russian Asia, Corea, China, Hongkong, British India and the Straits Settlements.

3.---Conclusion.

The growth of our foreign commerce has had so vast and intricate effects in every phase of our political, social, and individual life that it is difficult to sum them up.

The first effect on the individual welfare is sufficiently obvious;---we owe to foreign trade not only the varieties of goods which we import from different countries, but also the cheapness of prices. Every article of foreign growth and manufactures is at a lower price or of a better quality than the Japanese produce, when offered for sale, and we are gaining in all those commodities the whole difference between the Japanese and foreign prices. Take rice,for an example. Formerly a sudden rise or fall in value of rice occurred simultaneously with every change in the season's prospects, propitious or the reverse, to the great detriment , when it involved dearer food, of the laboring classes throughout the country. But the importation of foreign rice is now-a-days acting as a regulating factor of the price of the commodity in the home market. The facility with which it can be procurable from the neighboring countries has proved an immense boon to the poor, who no longer go in fear of a rice famine. We have,

however, no means of estimating this gain accruing from the goods thus cheapened.

There is another advantage of greatly increased variety. We can buy spices from India, sugar from Honkong and the Philippines, coffee from South America; we can have the fruit and wine of every country, and metals from any mine in the world. So easy it is that every conceivable kinds of commodities which minister to our comfort and luxury of life can at a moment's notice be placed within everyone's reach.

Whether or not the benefit of this increase of purchasing power is being equally distributed is the question which can not be easily determined. Our imports at present consisting so largely of raw materials and machinery, it is those who are the captains of industry that is immediately being enriched by foreign trade. But the working class is also gaining the same benefits as the wealthy, for since the era of foreign trade there has been little complaint of the lack of employment. Particularly, the demand for workmen in the manufacturing centres like Osaka, Tokio, kioto has been so great that the supply has quite frequently fallen short. Parallel with this advance in industry and commerce

there has been a constant advance in the wages of labor, and it is only sufficient here to refer as an evidence to the rising standard of livelihood among the common laborers.

The effect of trade on the nation as a whole is at once wide and far-reaching. If it were not for foreign commerce, the consummation of changes of so vast a system as the world has witnessed during last thirty years would never have been accomplished. The old form of sloth and inaction has fast vanished under the invasion of new ideas, and new system of society and government. Then the movement all along the line has become astonishing: the spirit of enterprises proceeding from one industry to another has begun to dominate the whole nation. Every opening of new channel and new scope of market has continually given renewed stimulus to the enlargement of business and industry; machinery is being introduced more and more every year; labor is being spared in an increasing proportion from agriculture and used in the manufactures and arts; manufactures need and find purchasers not only at home, but in foreign markets all over the world, and thus we find that in the progress of commerce itself there is an ever-extending field

for industries that had no existence before.

Meanwhile manufacture is found so profitable that Japan is going to cease to provide her own food, but to rely it on the vast and virgin soil of the neighboring countries by which she is surrounded. During the last two decades, this process has steadily yet unconsciously been going on. All exchange is an advantage to both parties concerned, and is a sign of the division of labor. This advantage becomes more manifest when we are dealing with the varied resources and different aptitudes which all the countries possess in themselves. Japan cannot hope to compete with, or to hold her own position in the world's markets against these countries which have the immense territory in the quantity of her agricultural productions. Hence Japan must strive to rely her means of subsistence in an industrial development rather than in agriculture, and to excel in the quality of goods produced rather than in quantity. The examples of Egypt with its cotton, Italy with its rice, France with its silk, and England with its wool and sheep, may well be cited as cases of countries, the limited area of which does not allow them to compete with vast countries in the quantity of agricultural productions; but which in the quality of

their respective staples distance all other competitors. Japan possesses all the advantages necessary to make her a great manufacturing country: her people possess exceptional skill, and labor is relatively cheap; coal is abundant, and the raw material is easily obtainable either at home or in the neighboring countries. Hence, the direction which Japan has hitherto pursued unconsciously lay in supplying the more civilized countries with such articles as Japan excels in, and the less countries with the commodities that are now supplied by foreign countries, but which the adoption of Japan of foreign methods and machinery is now enabling her to produce more cheaply.

Japan's start in the development of trade is giving her an unique position in the commercial world: the dignity of her position has risen since the late victorious war; fifty years ago she was a but hermit nation, secluded and isolated from the rest of the world, and she is now establishing her claim to be ranked as a world Power.

We are, however, at the very beginning of beginnings. True, the commercial expansion during the past decade has proceeded with

an astonishing rapidity, but only a very small fraction, about 1.7 per cent.[109], of Japanese labor and capital is invested in the carrying on of foreign trade. It is also true that there has been a remarkable change in the character of Japanese trade, but when we come to look a little below the surface of things, we find that with the exceptions of cotton yarns and a few other commodities it is not so much in any new direction that Japan's commerce has increased, but that her staple products are being exported in increasing quantities. And we are thus at the very commencement of our commerce. The industrial processes are not yet so much diversified nor specified, and we are just in an initiative period of entrance into the world-wide division of labor.

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[109] The present annual income of Japan is estimated at 1463 million yen, of which 25 million yen is the profits of foreign trade, ---Japan, Ency. Brit., New Vol.

V I T A

The author, Yukimasa Hattori, was born in Ogi machi, Saga ken, Japan, October 9, 1872. His primary education was received in a grammar school and a high school of the native province. In 1889, he went to Tokio and entered an Anglo-Japanese school, from which he was graduated in 1892. After graduation he was chiefly engaged studying the English language until he entered ~~the~~ Waseda College in 1895 as a non-resident student, following the courses in politics and economics. In 1896, he was employed in the Okinawa Prefectural High School as a teacher of English, and a year later he was ~~removed~~ transferred to the Toyo-oka High School, Hiogo Prefecture, in which position he remained until he came to America in the spring of 1899. In the same year, he entered the Johns Hopkins University, taking economics as ~~the~~ a major subject and politics and history as ~~the~~ first and second subordinate subjects. He held a fellowship for the academic year 1902-1903.